

The UAE's Small and Medium Consulting Firms: From Disrupted to Disruptors

Botho Emerging Markets Group
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II. Executive Summary

The UAE consulting industry is driven to a significant degree by demand from the public sector, as it strives to diversify its oil-dependent economy. As a part of these diversification efforts, the UAE has opened up its doors to businesses and investment from the rest of the world, incentivizing them with free trade zones, 100% capital repatriation, and limited corporate taxation. Furthermore, the country's strategic location and favourable trading conditions provides easy access to other Gulf countries and a gateway to Africa, Europe, and Asia—making it an attractive regional base for multinational companies.

As a result of its location and strong business environment, in recent decades, nearly ~25% of Fortune 500 companies have established a local presence in the UAE. These multinational corporations constitute another major source of demand for consulting firms in the country.

The Middle Eastern consulting industry - valued at \$3.6 billion - experiences fierce competition from large and small consulting firms alike, in their bid to cater to high-impact challenges and transformations in the private and public sectors.

Gulf-based multinational companies and the public sector have a preference for working with large consulting firms. Consequently, firms, such as McKinsey, Boston Consulting Group, Bain & Company, Oliver Wyman among others enjoy disproportionate visibility and credibility in the UAE. There is limited data on the performance of Small- and Medium-Sized Consulting Firms (SMCFs). The lack of information on SMCFs appears to be curtailing the growth of the industry in some respects, as SMCFs do not have visibility into the identity and operations of their peers, or business development opportunities.



II. Executive Summary

As a result of these information gaps and asymmetries, SMCFs typically operate in silos, including in situations where they would benefit from greater cooperation and collaboration. This fragmentation makes it difficult for these smaller consultancies to keep up with shifts in the industry, especially those that have been accelerated by technology. All of these trends have been further compounded by the COVID-19 pandemic.

Despite these challenges, Botho believes that there is far more room for SMCFs than existing data and anecdotal evidence would suggest. Operating under this assumption, Botho undertook the research presented in this report to map out the challenges and opportunities for SMCFs in the UAE.

Our findings and analysis are based on a combination of secondary research, six in-depth qualitative interviews with both consultants and consumers of consulting services, and survey results from 42 locally-based consulting firms. While all consulting firms included in this research are based in the UAE, the majority of respondents also serve multiple markets. Despite having a local office, several firms surveyed do not have projects originating from the UAE. This can be partly attributed to the fact that SMCFs often find it challenging to break into the UAE's relatively small market, which remains dominated by large consulting firms. Furthermore, SMCFs increasingly face competition from non-traditional business models, technological disruptions, and a growing client preference to move advisory work - that would previously be outsourced to external consultants - in-house. These developments suggest that SMCFs should diversify their industry focus and clientele in order to identify a sustainable pipeline of business development opportunities.

Building industry-specific expertise and adopting a multidisciplinary problem-solving approach is one way in which UAE-based SMCFs have tried to stand apart from the competition. Most SMCFs employ bespoke approaches for each client in order to create customized solutions that are not easily replicable and generate opportunities for value-oriented and long-term relationships. In light of this, perhaps there is room for novel and innovative consulting methodologies to challenge the status quo and better demonstrate the value-add of consulting firms - one that is less likely to be supplanted by digital tools or behemoth consulting companies. This could be achieved by finding ways to create new, unexplored connections between and within projects and geographies, or moving from a multidisciplinary to a transdisciplinary approach, depending on what is relevant and feasible for the SMCF and client in question.

Finally, in addition to rethinking the way SMCFs define, identify, approach and work with clients, this report argues that to truly unlock the full potential of the UAE's consulting industry, SMCFs should also rethink intra-industry relationships. By breaking out of existing siloes and adopting a coordinated approach to focus on 'pre-competitive collaboration' that can help ease industry-wide bottlenecks, SMCFs can create their own opportunities for viable and impactful consulting work. Collaborative efforts could focus on building prospective clients' confidence in SMCFs, exchanging market learnings, and also sensitizing the market to the unique pan-regional and multi-sectoral experience SMCFs can deploy in their consulting work.

III. Introduction

The UAE is home to a large number of Small and Medium Consulting Firms (SMCFs), serving diverse clients in an array of industries and geographies. Yet, there is a conspicuous lack of information on their identities, activities, achievements, and obstacles. With large, globally recognized consulting firms consistently securing major projects in both the public and private sectors, it can be easy to assume that there is very little room for smaller consulting companies to add value in the UAE. This brief aims to challenge that assumption by turning the spotlight on select SMCFs operating in the UAE in order to learn firsthand about their experiences in navigating this market. In doing so, Botho seeks to identify the ways in which SMCFs could collectively reconfigure the contours of the UAE's consulting industry to create more and better opportunities for themselves.

The report begins with a brief overview of the global consulting industry, then moves on to observations of emerging trends in the GCC consulting market, before zooming in on the UAE. The subsequent section defines the SMCF segment by examining its position within the broader market, activities, sectors and geographies of focus, consumer base, and revenue streams. The brief simultaneously maps out the effects of the pandemic on SMCFs' operations and client expectations. The final chapter lays out the various disruptions SMCFs in the UAE face, including the role of clients' perceptions, before concluding with recommendations for SMCFs on how to not only navigate existing disruptions, but also potentially become sources of positive disruption within the industry.



IV. Methodology

For the purposes of this study, large consulting firms refers collectively to the largest professional service and management consulting companies globally, comparable to each other in terms of company size, revenue, and scope of service offerings. SMCFs are defined as firms with fewer than 100 employees, may offer specialized services in one or multiple sectors, and have a predefined regional focus. Using the above definitions, Botho undertook a comprehensive review of existing literature, supplemented by primary research comprising qualitative interviews and a quantitative survey.

Desk Research

During the initial desk research phase, Botho reviewed a range of secondary literature - including third party reports, news publications, and websites of reputable consultancies - to gain an understanding of the industry at large, and the place of SMCFs within it. Due to a paucity of secondary research on the operations of UAE-based SMCFs, desktop research was bolstered by primary research, as follows.

Qualitative Research

In-depth interviews were conducted with two categories of respondents:

- ***Clients of consulting firms:***

Botho interviewed three mid-senior level members of companies based out of the Gulf region and who have worked with both large and small consulting firms in various capacities. The discussion focussed on four main topics:

1. Reasons for the client to opt for a large consulting firm over SMCFs.
2. COVID-19 impact on the clients' relationship with consultants.
3. The clients' recruitment process of consultants.
4. The clients' perception of the UAE consultancy space.

- ***Small and medium consulting firms (SMCFs):***

Botho also interviewed mid-senior level members of three SMCFs with different sectoral foci to understand:

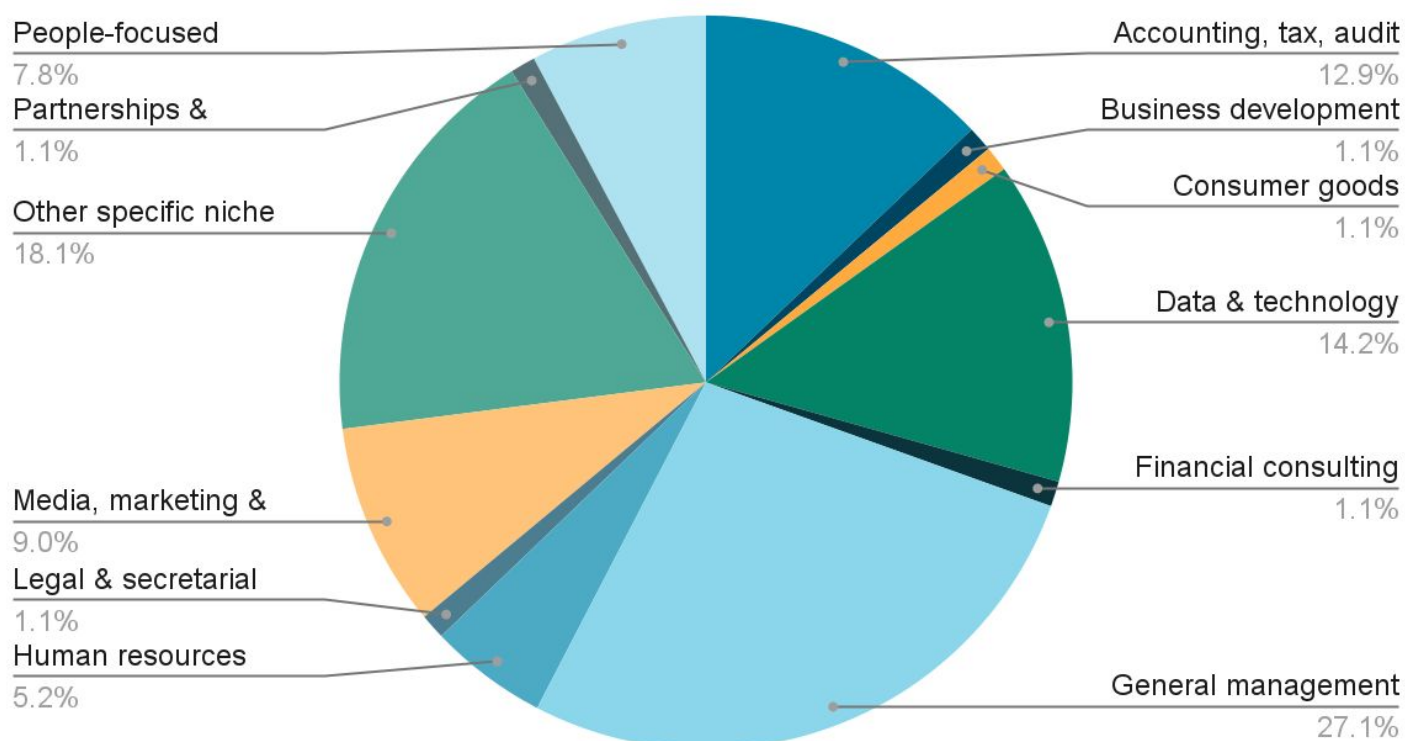
1. The operational structure of SMCFs in the UAE
2. Their clientele and relationship management strategy
3. COVID-19's impact on ongoing projects
4. Opportunities and challenges in the UAE's consulting space

IV. Methodology

Quantitative Data Collection

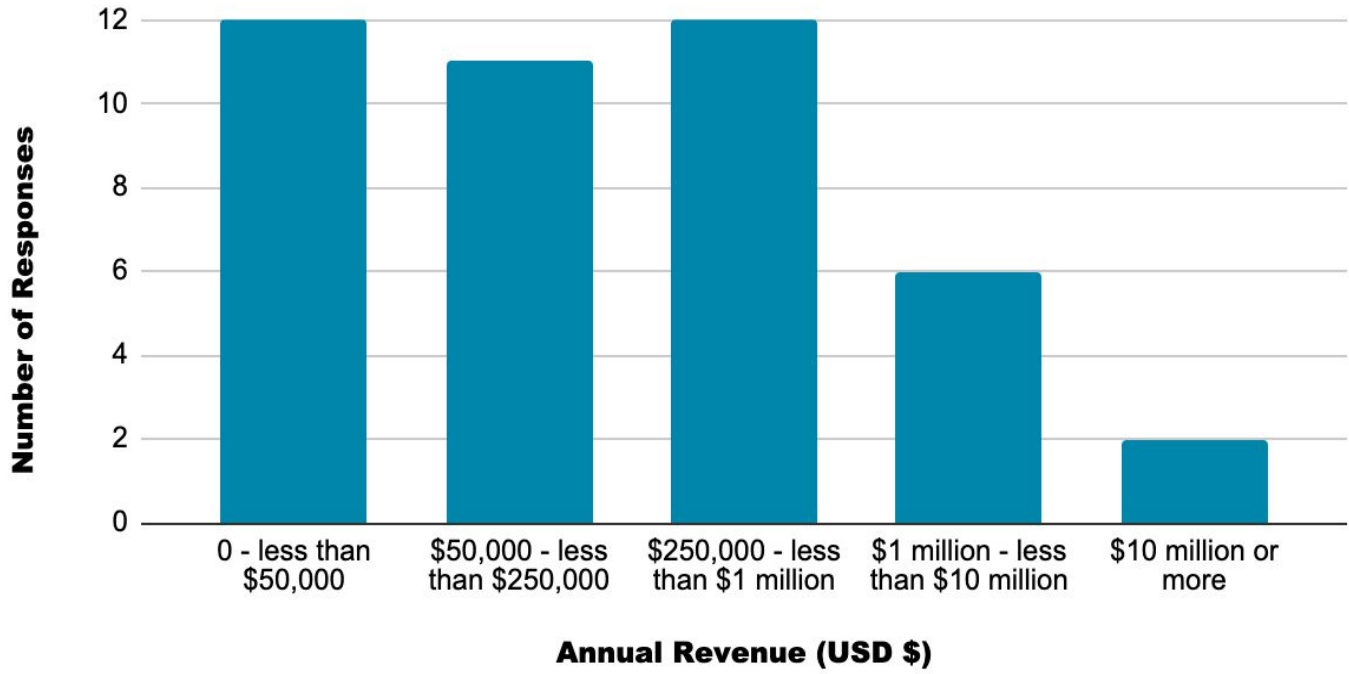
Botho distributed a survey amongst a database of approximately 200 UAE-based SMCFs in partnership with the UAE-based research firm, [Qrik](#). The survey focused on gathering quantitative and qualitative information on the SMCFs characteristics, sectoral focus, performance, challenges, and approach towards client projects and received responses from 43 consultancies.

Service Offerings of Surveyed SMCFs

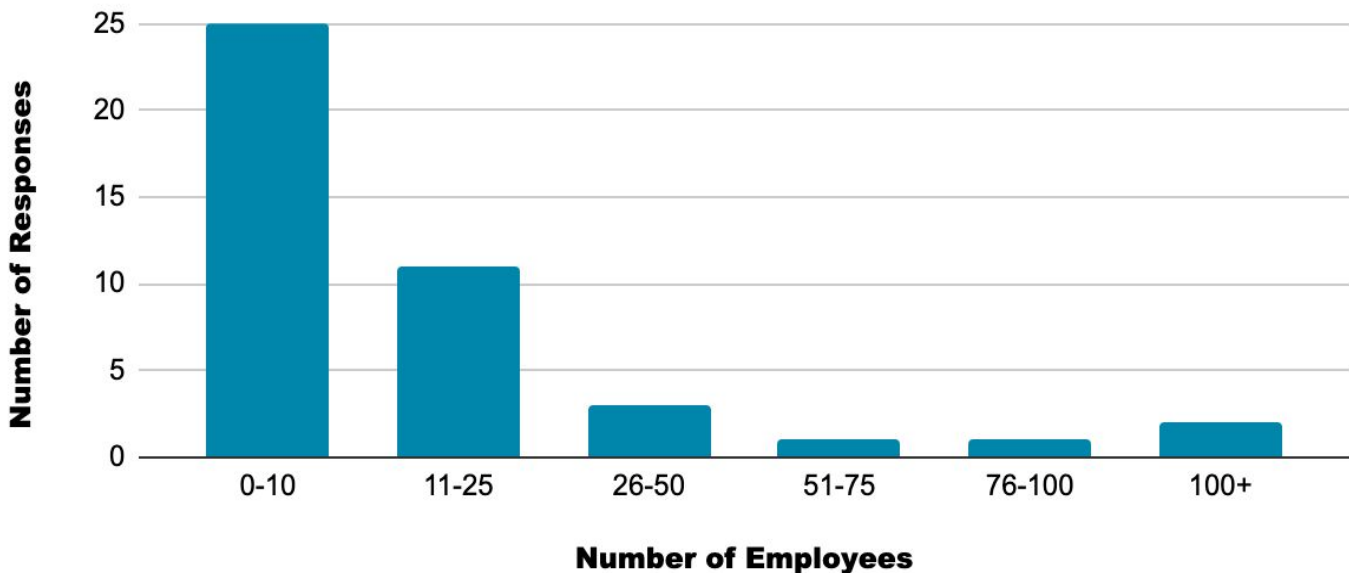


IV. Methodology

Annual Revenue (USD) of Surveyed SMCFs



The Majority (58%) of Surveyed SMCFs Have Fewer Than 10 Employees



V.

Consulting Marketing Overview

A. The Global Consulting Market

The consulting industry is one of the most mature and relatively stable industries globally, with a positive growth trajectory year over year. In 2019, the industry was valued at \$300 billion. Large firms historically occupy a significant percentage of the market share. In 2018, the ten largest consultancy firms (PwC, Deloitte, EY, KPMG, Accenture, McKinsey and Co, Boston Consulting Group, IBM, Bain & Co, and Booz Allen and Hamilton) occupied about 56% of the value of the global consulting market. On the other hand, although small- to medium-sized firms, represent roughly 85% of consulting firms globally, they account for less than 50% of the industry's value. Though the revenues of these smaller firms may not match that of behemoth consulting companies, the former are innovating and carving out new spaces for themselves.

Consulting services can be divided into six key practice areas: strategy consulting, management consulting, operations consulting, financial advisory, human resources consulting, and technology consulting. In 2016, operations consulting accounted for the largest share of the market at 30%, followed by technology consulting at 20%, while strategy consulting and human resources consulting each accounted for 15% of the market. Management consulting is ordinarily considered to be a combination of strategy, operations, and human resources consulting, and it represented about 52% of the consulting industry in 2016. More recently, there has been an increase in demand for technology consulting services, as companies work towards digitizing their operations to boost efficiency.

The industry's performance is shaped by opportunities and constraints triggered by globalization, changes in regulation, and digital transformation. Revenues in the consulting industry can be directly tied to global and regional economic conditions: slumps in economic growth often lead to a reduction in the demand for consulting services or, in some cases, a significant shift in the types of services demanded. For example, during the 2009 financial crisis, the consulting industry contracted by 9.1%; management consulting fees grew only by 4%, representing a 12% reduction from the previous year. Similarly, the COVID-19 pandemic has significantly disrupted the consulting industry, with companies and governments facing financial strains and restrictions on movement, hindering service delivery and business development. Reports released in early 2020 projected that the management consulting industry would shrink by 19% due to the pandemic, with similar trends expected across most of the other practice areas.

B. The GCC Consulting Market

Historically, the GCC's consulting market has been driven by demand from the public sector, and its performance is significantly influenced by upswings or downturns in oil prices. For example, the drop in oil prices between 2014 and 2016 led to a 14% reduction in consulting revenues generated from the public sector. Recently, GCC governments have made a push towards diversifying their economies from oil. The move to venture into other sectors has increased the demand for consulting services; consulting revenue from government clients in the GCC grew by 10% from 2016 to over \$1 billion in 2019. While public sector demand continues to grow, technology consulting revenues have risen in tandem to a record \$1.2 billion as of 2019. Technology consulting services are in high demand as private sector companies increasingly adopt technological solutions to enhance their operations and governments invest in e-government services and smart city technologies.

Doing business across the GCC is also shaped by political relations between different countries in the region. Prior to 2021, geopolitical tensions between the GCC countries were cited as a potential risk to business in the GCC. While the long-term results of the recent normalization of relations with Israel and détente with Qatar remain to be seen, it is expected that consulting firms across the region will expand their clientele to previously inaccessible countries. Access to more markets could increase consulting revenues and even promote collaboration between consulting firms across the GCC.

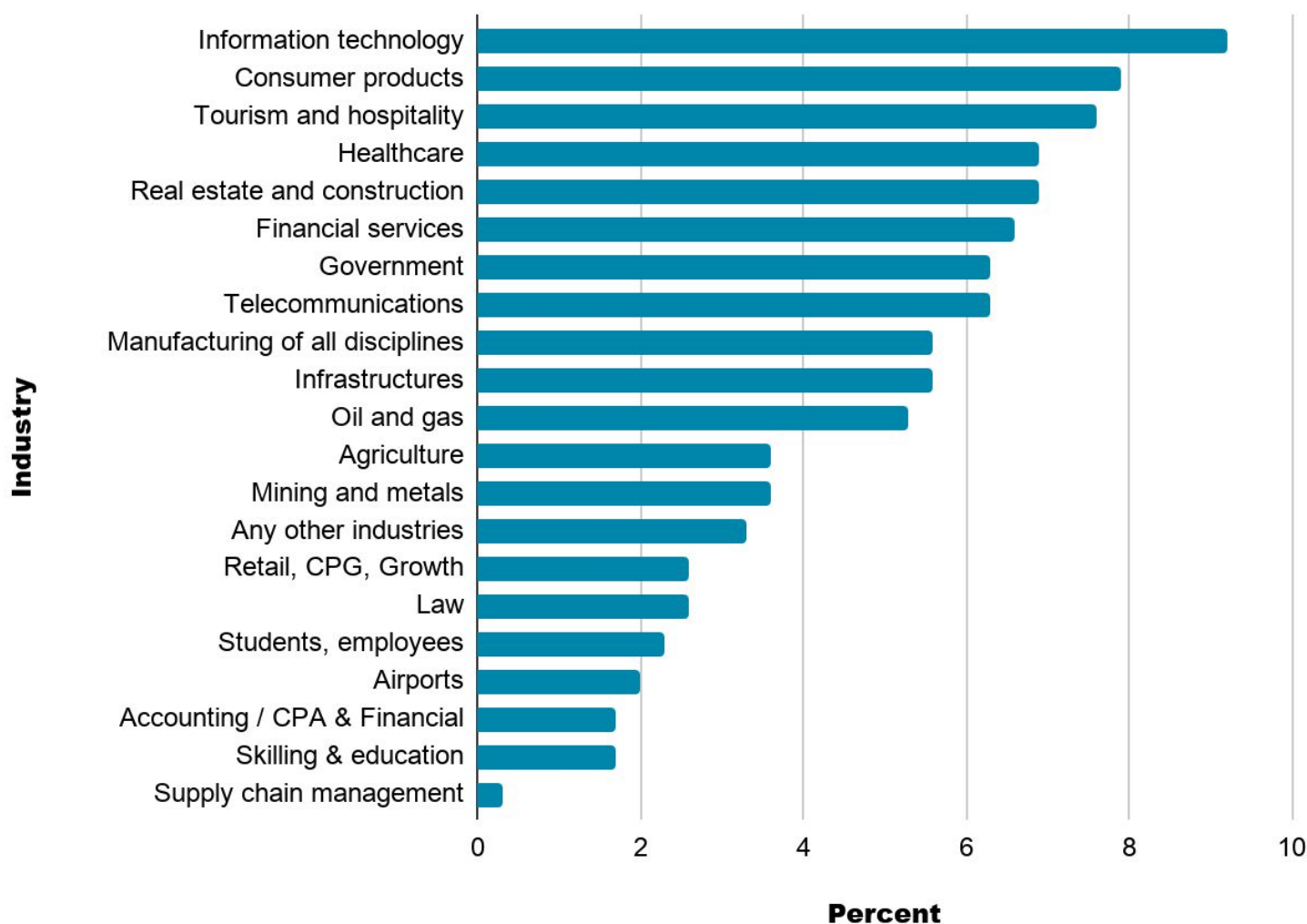


C. The UAE Consulting Market

The UAE’s consulting market is similar to that of its neighbors: the public sector is one of the largest consumers of consulting services and efforts by the government to diversify the economy from oil has increased demand for advisory work. Between 2016 and 2019, the industry grew 12% to \$1.2 billion – 3% higher than the average growth rate across the GCC between 2018 and 2019.

In addition to the public sector, our analysis revealed that private sector firms from the information technology (IT), healthcare, financial services, real estate, and manufacturing industries are the other major consumers of consulting services (as indicated in the graph below).

Demand for Consulting Services by Industry



C. The UAE Consulting Market

Our analysis revealed the following key trends in the UAE consulting market:

While the market favors larger firms, consultants – both large and small – face similar issues when dealing with UAE clients.

Clients in the UAE place significant weight on the brand name and management reputation of firms. Consequently, larger firms dominate the market. Consumers of consulting services interviewed revealed that their management and board of directors strongly prefer working with larger firms in lieu of smaller, boutique firms. These same views were echoed by consulting firms who revealed that local and state-backed organizations are less open to working with smaller firms. Given that, smaller boutique firms find it difficult to break into these circles and win over local and public sector clients.

“Our company is very budget-oriented and we always prioritize the most cost-efficient option. When working at the company level, we often work with boutique firms with whom we’ve developed good relationships. However, when our board of directors are involved, they strongly prefer working with a larger well-known firm to give credibility to the project.”

Senior Analyst at a UAE-based technology firm

Despite the competition between the big brands and smaller boutique firms, both groups face a common challenge: consulting services in the UAE are often seen as discretionary spending. The consulting market is still young and growing, and many potential clients have yet to understand the value addition that external consultants can provide. Therefore, when companies face financial headwinds, budget allocations for consulting services are reduced significantly, if not completely eliminated.

“It’s [UAE] definitely not a mature market, medium-sized firms are still realizing the value addition of resorting to external providers to improve their internal processes and to help them devise their own strategies. When I compare it with what I experienced in Europe, I would say that the penetration of consultancy business here, especially among mid-sized and small companies, is still low.”

Strategy and Planning Lead at an SMCF

These attitudes towards consulting services have prompted firms to adopt creative solutions to win and retain clients. One common approach is to build strong, long-term relationships with clients to foster trust and increase the chances of repeat business. Clients in the UAE indicated that they prefer to work with the same individuals and a dedicated team within a consulting firm throughout the life cycle of a project. Often, clients will work with incumbent consultants even when they are presented with a cheaper option by a firm they have not worked with previously.

C. The UAE Consulting Market

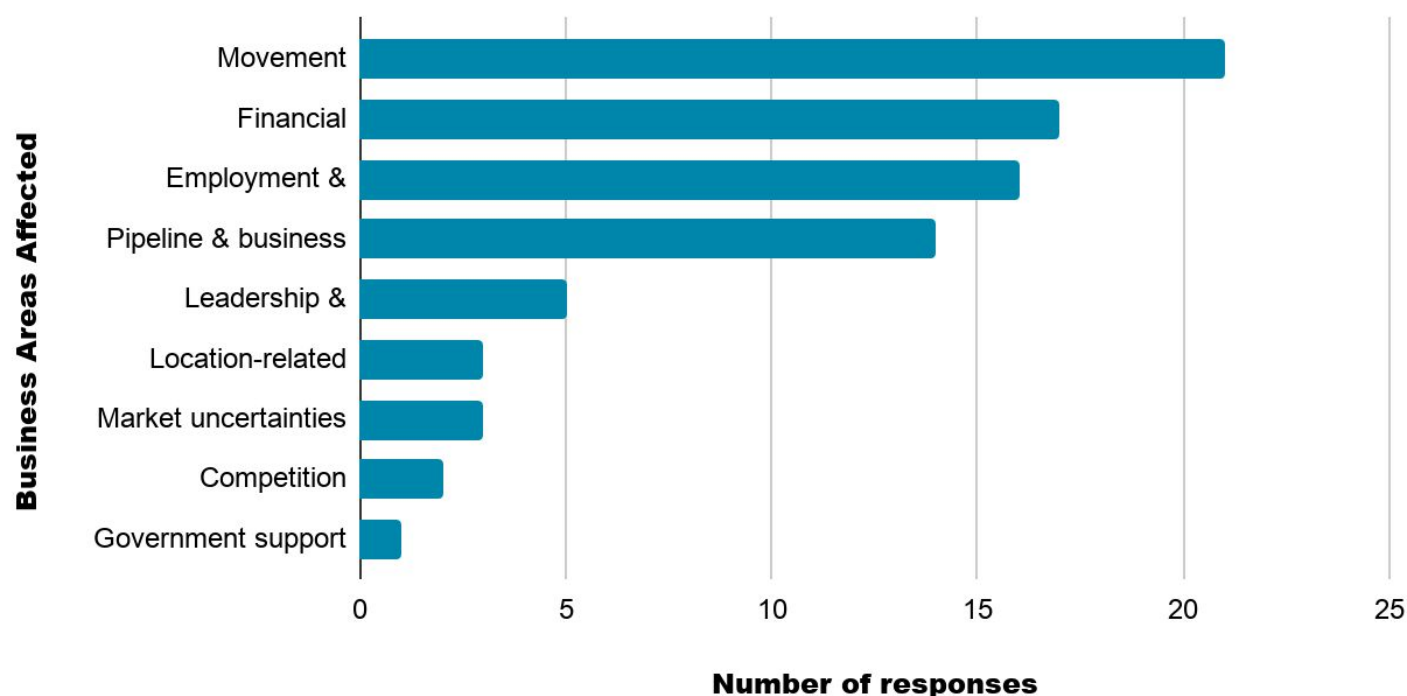
The COVID-19 pandemic has reversed years of growth, significantly shrinking the UAE consulting market

The consulting industry in the UAE expanded considerably before the COVID-19 pandemic. Reports projected growth in the public sector’s demand for consulting services as the government [planned](#) to enhance its service delivery to citizens through the use of technology. Similarly in the private sector, demand for digital transformation support was rising; however, the pandemic unexpectedly upended the UAE economy, shrinking it by [7.8%](#) in the second quarter of 2020.

Consequently, businesses began cutting costs and discretionary spending, as well as instituting mass layoffs. Reports produced two months into the COVID-19 crisis [indicated](#) that the pandemic would lead to losses of over 19% to the consulting market in the Middle East.

Movement restrictions and reduction in financial flows significantly affected the consulting industry in the GCC. Considering that many firms use the UAE as their regional base for projects originating in other markets, border closures and grounded flights meant that consultants could no longer travel to their clients’ sites. A managing director of a boutique strategy consulting firm in Dubai revealed that travel restrictions have resulted in project delays and adversely affected client relationships.

Business Areas of Surveyed SMCFs Most Affected by COVID-19



C. The UAE Consulting Market

"We typically tend to be very close to our clients, and we directly manage many of our projects, which are in Africa. Before the pandemic, we would travel frequently to our project sites, and movement restrictions have interfered with our business operations. We are not as close to our clients and as involved in managing the projects as we would like, and this has resulted in significant project delays."

Managing Director at a Dubai-based boutique firm

Since the start of the pandemic, many consultants have begun to offer their services at a significant discount just to stay afloat. According to a senior analyst at a technology firm, consultants were willing to take on projects at very cheap costs. In the same vein, a director of a UAE-based energy company revealed,

"My expectation was that given that we are in the middle of a pandemic, people would be very eager to work, and I was right. For our technical, environmental, and financial consulting projects, the offers we received from consultants were cheaper than what we would pay for similar projects three years ago".

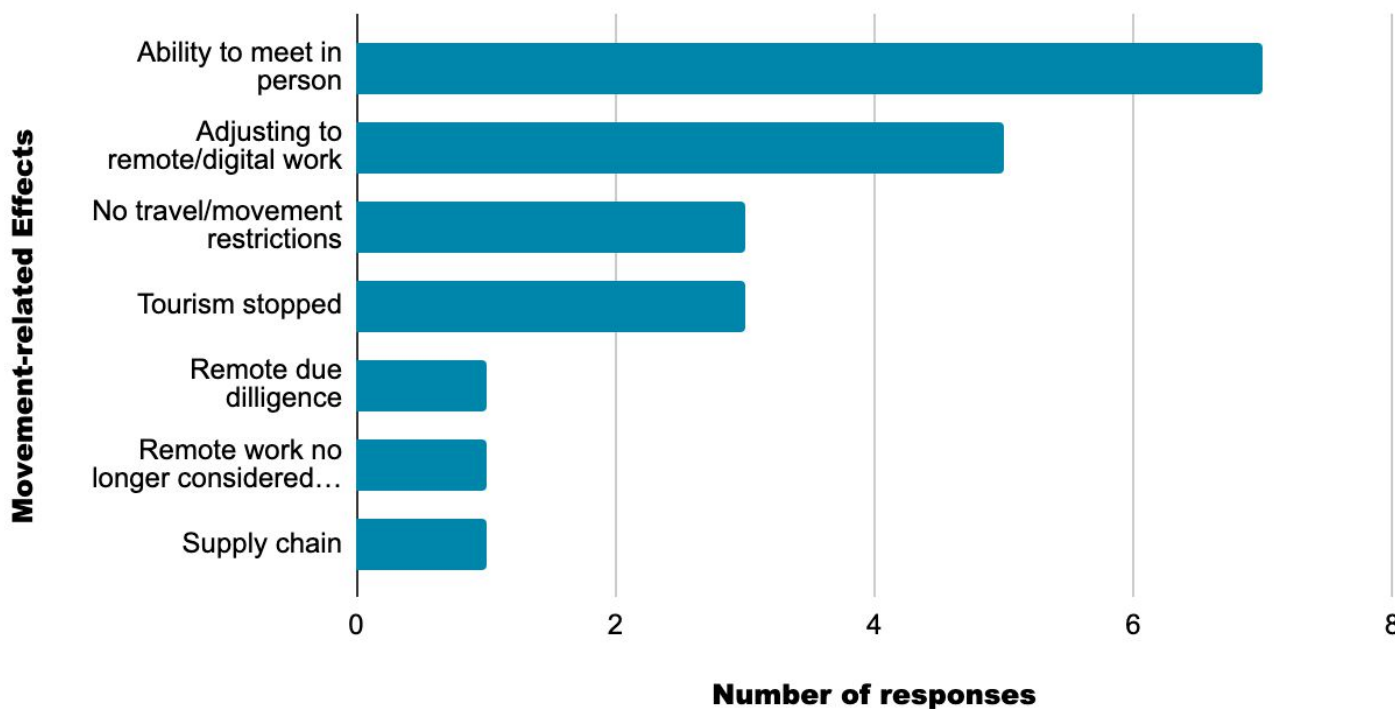
Director of a UAE-based energy company

Meanwhile, for some consumers of consulting services, cost-cutting has led to the absorption of projects that might otherwise be outsourced to external consultants to reduce their dependence on third parties.

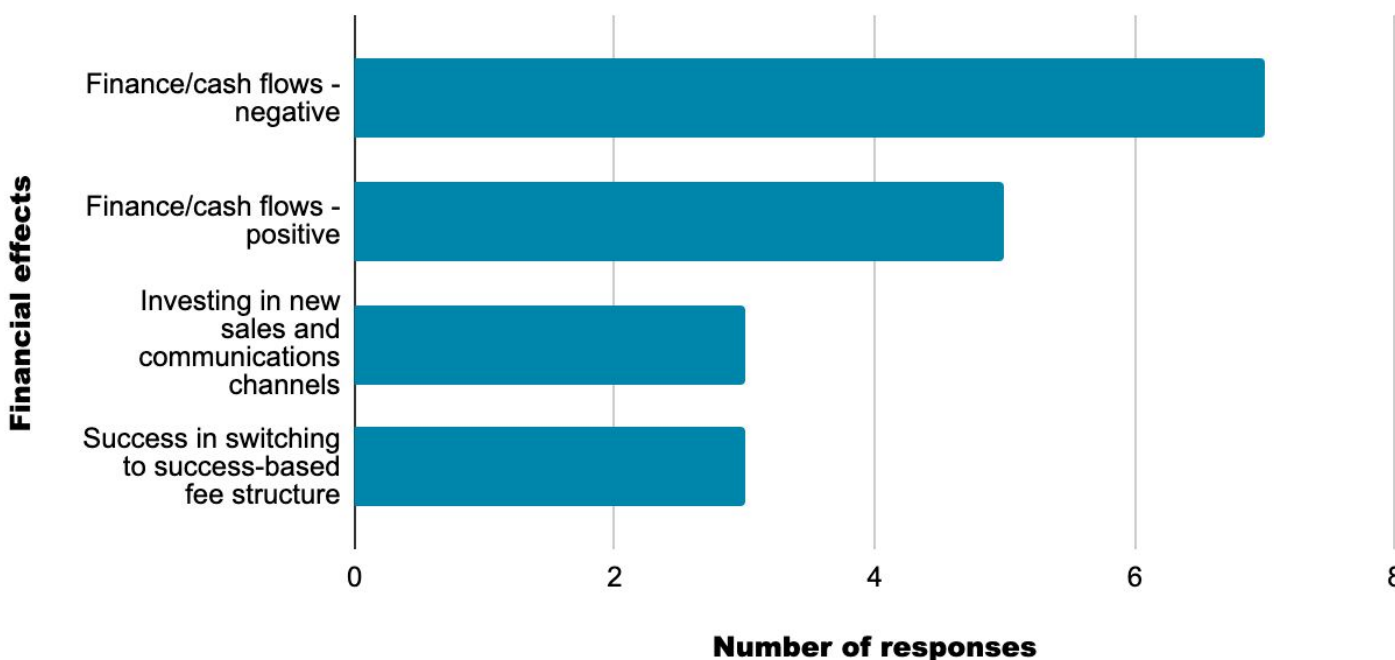


C. The UAE Consulting Market

Effects of Movement-Related Restrictions

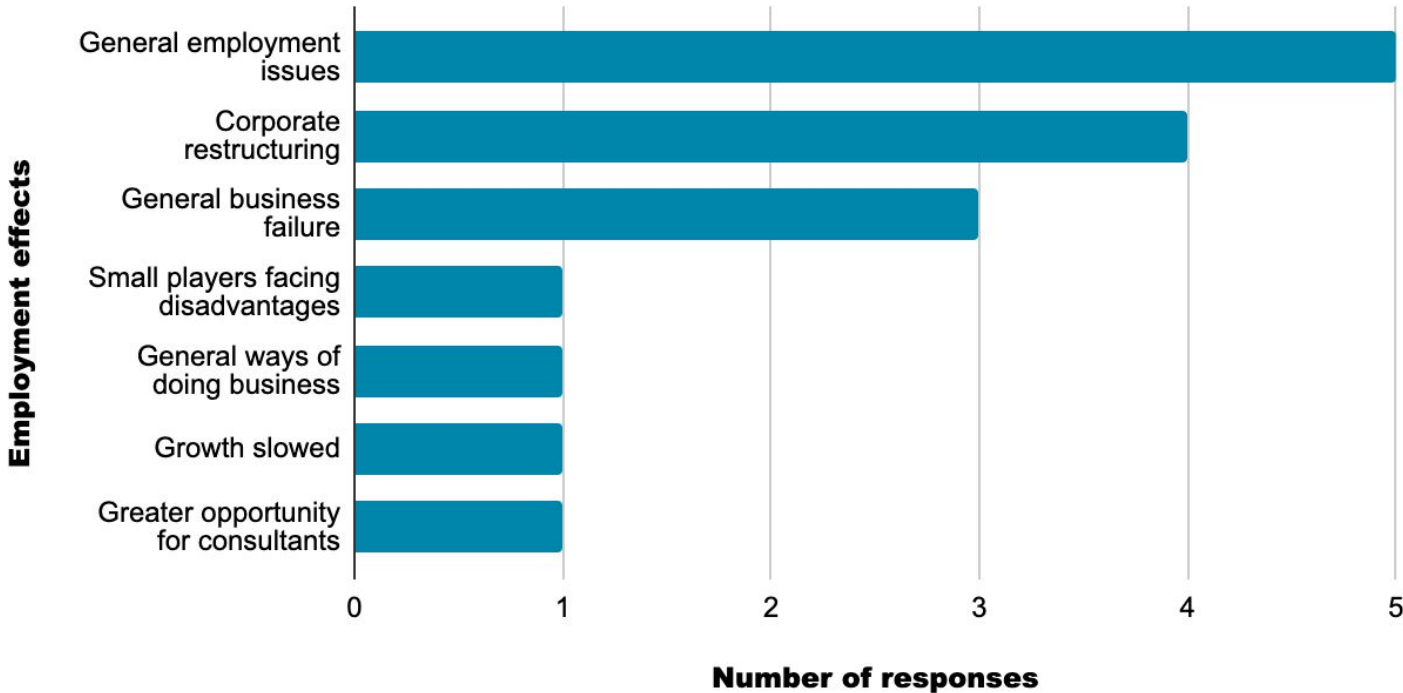


Financial Areas of SMCFs Most Affected by COVID-19



C. The UAE Consulting Market

Employment and Business Structures of SMCs Most Affected by COVID-19



VI.

Analysis of SMCFs in the UAE

A. Who Are the Key Consumers of Consulting Services in the UAE?

Small- and medium-sized consultants largely adopt a traditional formula to achieve success: first, target the top-performing industries in the UAE and second, utilize Dubai as a hub between Africa, Europe, and Asia to expand business development efforts.

Research [confirms](#) that the main and visible consumers of consulting services in the UAE are large private sector firms and public sector organizations, with the latter largely motivated by future-looking innovation and government prosperity agendas like Dubai and Abu Dhabi's Visions 2030. Results from our survey of small and medium consulting firms in the UAE show that the top 5 private sector industry consumers of consulting services are information technology (65.12% of respondents), consumer products (55.81% of respondents), tourism and hospitality (53.49% of respondents), healthcare (48.84% of respondents), and real estate and construction (48.84% of respondents). These top industry consumers of consulting services match the largest industries by revenue in the UAE at-large. According to our data sample, SMCFs that serve these industries perform better than their peers in terms of annual revenue and growth.

Service offerings among SMCFs remain diverse, including expertise in accounting, tax, and audit; human resources, people development, and talent; and partnership and coalition-building, among many others. Three clear themes emerge in the SMCF space:

1. **General management consulting remains important and in-demand.** Nearly half of survey respondents reported offering some kind of management consultancy services. These offerings are diverse in scope, including firms that conduct business leader mentoring, cost savings solutions, market research, and merger and acquisitions, among others.
2. **Industry niches are both desirable and present in the market.** One-fourth of survey respondents reported having at least one industry niche, running the gamut from public policy, water, sanitation, and hygiene, transportation, and tourism.
3. **In line with the significant consumption of consulting services by the IT industry, data and technology-based services are popular.** Over 20% of survey respondents had some sort of technology or data focus, including product development, cybersecurity, and IT consulting offerings.

A. Who Are the Key Consumers of Consulting Services in the UAE?

"People coming [Big 4 consulting firms are] generally consultants who have been... advising governments on the policy side. We feel that they don't necessarily understand the requirements of the private sector, being on the other side of these discussions. They are so used to advising the utilities and off-takers on the other side. Here [working with the private sector] is a cutthroat competition. So you'll have to optimize every dollar that you have. And that experience probably does not add value to us. Whereas these people who have been either with a developer or who have been with a bank, they tend to understand our requirements or what it takes to win much better than the big ones."

Ganesa Kumar, Project Finance Manager, Al Jomaih Energy and Water



B. What is the Role of SMCFs in the Market?

Dubai sits at a crossroads between three continents. As a result, SMCFs take advantage of Dubai's strategic location and favorable business environment to set up a local hub, enhance business development efforts, and make service offerings appealing to the surrounding regions. Data on the location of firms' operations, firm size, types and sizes of clients, service offerings, revenues, and methodology provide insights into the role of SMCFs in the market.

Location: To some extent, there is a lack of longitudinal data about the role and performance of SMCFs in the UAE. On one hand, some SMCFs appear to be domiciled in Dubai but conduct most, if not all, of their work in other countries.

"I would say that less than 10% of our projects or businesses done here in this region. That said, of course, we are involved with multiple stakeholders in these regions, but our main focus is supporting them on projects in Africa."

Paulo C. - Strategy & Planning at Victoria Consulting

Over two-thirds of survey respondents had less than 50% of their clients in the UAE and nearly one-third reported servicing no clients at all in the country, despite having operations there. Other markets that were popular among survey respondents to have operations in were East, South, and Southeast Asia, particularly India (23.26% of respondents); other countries in the Gulf, particularly Saudi Arabia (20.93%), Qatar (18.60%), and Bahrain (16.27%); and Africa, particularly North Africa and the Sahel region (37.21%).

With Saudi Arabia's [recent declaration](#) that procurement will be limited to companies with regional headquarters in Saudi Arabia, the status quo may change as more companies establish offices in Jeddah or Riyadh.

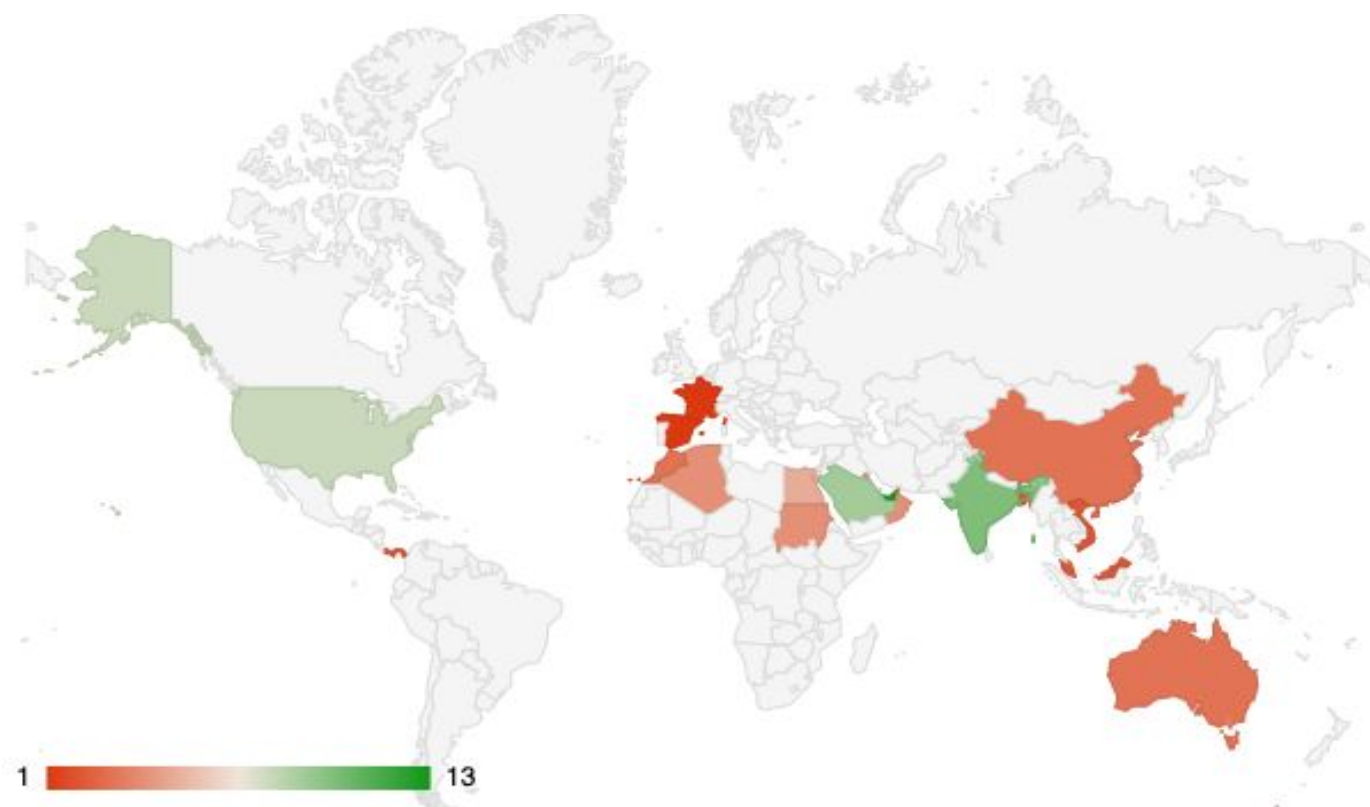
Lack of work for SMCFs in the UAE poses two potential conclusions. First: little work exists for SMCFs in the country - but based on expert interviews, anecdotal evidence, and Botho's experience in this space, this seems unlikely. Second: opportunities exist but industry players must improve or revise their competitive positioning to win new business. Given the dominance of the large consulting firms within certain sectors, especially government, SMCFs could identify and target alternative industries and/or target their counterparts in the client space - namely, SMEs who require advisory services and may desire a more nimble, boutique approach.

B. What is the Role of SMCFs in the Market?

Firm size, types of clients: The vast majority of SMCF respondents had 25 employees or fewer, with just 4% of respondents having 100+ employees. Although large private sector firms and public sector organisations are the main consumers of consulting services in the UAE, SMCFs appear to have a relatively even distribution of client companies of different sizes: approximately 40% of respondents had small and medium-sized companies make up less than 25% of their clients and this number increased to approximately 60% of respondents when it came to large-sized companies on their client list.

Having fewer employees suggests a certain agility within SMCFs in the UAE that distinguishes them from their larger peers and creates a unique value proposition for a particular clientele. The largest consulting firms can service behemoth companies and organisations, but due to their size and structure, working with smaller enterprises may prove difficult, presenting a key gap that SMCFs can fill.

Countries Where Survey Respondents Are Active



B. What is the Role of SMCFs in the Market?

Methodology: Among respondents, the most popular methodology was the development of a bespoke approach for each new client or project, drawing on two or more disciplines (48.84% of respondents).

Despite the time-intensive nature of this approach, firms that chose this methodology tended to be smaller: over 85% of firms in this category had 25 employees or fewer, but the two largest firms (100+ employees) also deploy this methodology. There is neither a positive or negative correlation between firm revenue and this specific methodology, as firms of all revenue brackets deploy it at relatively even rates, with companies earning between \$250,000 and \$1 million using it most frequently.

Revenues: A cross-analysis between revenue, years of operation, firm size, and service offerings shows interesting results. First, there appears to be some positive correlation between years of operation and revenue, as well as number of employees and revenue. Close to half of the firm respondents in operation for 20+ years earn more than \$1 million. This group includes the two firm respondents that earn more than \$10 million per year. The two largest firm respondents (100 employees and 600 employees) were also the two top-earning respondents. Patterns among service offerings demonstrate that niche industry expertise in this group tends to lead to higher returns: the two top-earning firms were in insurance and architecture & tourism.

These patterns pose several outstanding questions regarding the ability of SMCFs to disrupt traditional consulting practices. First, what is the utility, or lack thereof, of multidisciplinary approaches for firms working in niche spaces that require highly technical expertise, often from a single industry? Second, are there correlations between niche expertise, higher revenues, and tailor-made methodologies for SMCFs in the UAE?

A clear thread exists between SMCFs in the UAE with respect to methodology and the popularity of bespoke approaches for each project. Whether driven by internal culture, client expectations - whether perceived or explicit, SMCFs approach every problem set they encounter with novel strategies.

B. What is the Role of SMCFs in the Market?

However, this tactic may not be sustainable due to the small size of the market. Because most consulting firms in the UAE have relatively few employees, creating bespoke methodologies for each new client project may yield a limited return on energy and investment.

Incorporating niche industry expertise into a [transdisciplinary approach](#), which entails “bringing together different disciplines to co-create an approach that is not discipline-specific,” could be one potential way to solve this issue. A transdisciplinary approach, which notably is more relevant to some types of clients and projects than others, is advantageous in that it can be applied across projects. As such, it may be a better option for SMCFs looking to optimize their teams’ time while still delivering on projects that are up to spec. Creating individualized approaches for each project may erode consultants’ value-add: namely, the ability to make connections within and across industries and geographies. Furthermore, a tendency to continually develop highly customized methodologies may mean that SMCFs lose some level of comparability and replicability between projects, since each project methodology is totally distinct from the last. The inability to compare wins, losses, and learnings from project to project can diminish firms’ ability to improve internally or improve on client work and deliverables.

Such methodological challenges faced by SMCFs in the UAE, coupled with competition from non-traditional business models, digital tools, and technology, shows the need for SMCFs to pivot in order to remain competitive in the medium to long term.



VII.

Challenges Facing Small to Mid-Sized Consulting Firms in the UAE

A. Disruptive Consulting Practices

Consulting practices appear to be shifting towards non-traditional business models, reshaping the way consulting firms engage with clients and solve problems. Consulting is traditionally a labor-intensive industry, but new digital tools and methodologies with the potential to create greater operational efficiency now proliferate. CBInsights highlights that technological [disruption](#) lies in four consulting functions: information, insight, expertise, and execution. A key weapon in a consultant’s arsenal – information gathering and analytics – has been disrupted by the increasing popularity of platforms, such as [Looker](#) and [Tableau](#). These platforms integrate performance data, business intelligence, and analytical tools that can be utilized by clients, bypassing the need to hire external consultants.

To tap into human expertise, companies can rely on consultants’ expert networks. However, today, independent network platforms, such as [Pariti](#), and [AlphaSights](#) have created direct and easy access to pools of experts. Freelance networks, like [Business Talent Groups](#) and [UpWork](#) have, in some ways, streamlined project management and made execution more cost effective. The pandemic has also resulted in the rapid adoption of remote work and related digital technologies. This, in turn, has affected SMCFs that are unable to bridge the gap between available technological capabilities and the ability to effectively apply them to business problems.

The shift to online business communication has also enabled consultants to gain virtual insights into the operational aspects of a client’s business, challenging the concept that physical interaction is key for strategic advice, as confirmed from a survey by German consulting firm, [Umlaut](#).

This inexorable move towards digital highlights the need for the cross pollination of expertise, experience, and complementary offerings among SMCFs in order to remain competitive.



A. Disruptive Consulting Practices

Case Study: Konsälidön

Konsälidön is a UAE-based digital platform that creates better connections between otherwise siloed SMCFs. The company has created an agile, decentralized and diffused consulting practise, bringing together over 200 consulting firms and experts under one umbrella to cater to client demands, by connecting them with one or more consulting teams.

It has consolidated SMCFs with deep expertise across 15 business sectors and global offerings. These SMCFs provide advisory services to clients of all sizes and across their organizational life-cycle. Aside from its structural approach, Konsälidön aims to create an evolving ecosystem by continually accessing market intelligence from multiple sources, sharing and exchanging best practices and subject matter expertise with firms on the platform. As the ecosystem expands, member firms will have access to large, cross-disciplinary consulting projects in collaboration with other companies in the ecosystem.

According to the Managing Director of Konsälidön, the most successful SMCFs in the UAE possess sector-specific expertise and are not afraid to acquire or merge with competitors to position themselves and develop business across the GCC. Konsälidön's framework unites SMCFs to (re)evaluate their delivery models by exchanging best practices material and even subject matter experts to increase their offering and cross-sell solutions. The company has had a success rate of ~20% since the organisation started operations in 2018.



B. The Perceptions of Consumers of Consulting Services

Consultants must overcome a few key hurdles in order to secure UAE-based clients. These include a bias towards larger firms; a lack of trust towards advisory firms resulting in top-down relationships and a growing expectation that consultants should take on some degree of risk in executing projects; and, finally, the automation of some of the consulting industry's basic functions, coupled with efforts to absorb previously outsourced work internally.

Our interviews with select companies based in the Gulf revealed that the recruitment of large consultants is primarily driven by their global credibility. This tendency, especially for large-scale initiatives and projects of strategic importance, stems from the belief that large consulting firms have positive signaling effects to external stakeholders, such as investors and the press. Most lenders or banks have a pre-approved list of large, vetted technical, financial, and legal consultants, especially for massive infrastructure projects - the bread and butter of Gulf consultants. Since these projects have big budgets and tend to garner media attention, government organizations prioritize working with large, highly visible consulting firms.

Confirming the above, an interview with a boutique consulting firm revealed that, in their experience, UAE clients heavily emphasize company branding and the reputation of a company's leadership team. This bias has created a strong, seemingly impenetrable hold of big firms over government organizations and large private companies.

Results from our survey reflected similar sentiments, with over half of the respondents citing brand recognition, limited business networks, and steep market competition as challenges they have faced in their business development efforts in the UAE. Moreover, market competition and economic conditions have forced large consulting firms to reduce costing, which makes clients even less inclined to look for alternative, potentially better consulting offerings in the market.

While larger consulting firms enjoy a certain level of credibility, lesser known companies confront a pervasive lack of trust in their ability to deliver. Client-consultant relationships in the region typically follow a rigid, top-down structure wherein clients narrowly define the scope of work, presumably to maintain a tight rein on project outcomes. To further guarantee high quality deliverables, clients increasingly demand that consultants absorb some level of risk, especially in the case of a new venture or project by, for example, tying part of their remuneration to outcomes. In some instances, consultancies are also asked to provide quantifiable results on strategic advisory services—effectively requiring consultants to 'put their money where their mouth is.' The result is a highly skewed power dynamic between consultants and clients.

B. The Perceptions of Consumers of Consulting Services

This lopsided power dynamic is further exacerbated by the fact that increasingly, digital tools are now able to provide basic data analytics, a core service area provided by many consultancies.

"Prior to COVID-19, we had external consultants for various projects, but since the pandemic, we do the job ourselves. So we told them (consultants) that we're going to be absorbing the work in house until things settle and then we can potentially go back to the engagement at a later point. Our company is struggling and we need to control costs. At this stage seeking out consultants is only an option if it is a direction from the board".

Senior Analyst at a UAE-based technology firm

These findings point to SMCFs' need to augment offerings to focus on value-oriented, long-term relationships, and orient their business strategy less around quick wins and short-term projects. SMCFs must also be conscious of culturally-driven expectations in business interactions. One of the boutique consulting firms interviewed, whose work lies mostly outside of the UAE, shared that both large and small consulting companies have received criticism for a lack of cultural intelligence and knowledge of protocol that is specific to this market. This challenge is not unique to the consulting industry: the UAE government established The [Seed Group](#) to facilitate the entry of private sector companies looking to enter the GCC region by providing guidance on business etiquette and tips on how to avoid cultural faux pas in professional settings.



VIII. Conclusion

The consulting industry is in a state of flux. Consultants have to contend with shifting client expectations, the threat of technological innovations, and competition from both established firms and disruptive business models, all while navigating a global pandemic. As the industry grapples with an array of external challenges - ranging from minor to existential - perhaps there is a need, now more than ever, for consultants to look inward at how they work in relation to one other.

SMCFs have been operating in an industry whose parameters were established many decades ago by a small number of players, who have since maintained and even grown their dominance. In order to compete and scale, especially in the UAE, where the consulting industry has oligarchistic characteristics, SMCFs should identify spaces and opportunities where they can redefine the industry on their own terms. This can only be possible if SMCFs think differently about competition and business development, and come together to address shared, industry-wide bottlenecks.

Konsalidon's framework is an excellent example of such a collaboration, bringing together SMCFs under one umbrella and encouraging a multi-disciplinary approach towards business development in partnership with other firms in the ecosystem. This collaborative approach can be pushed further by encouraging horizontal partnerships between consulting firms to solve systemic problems and push the needle forward for the industry as whole.

As a coordinated unit, SMCFs can sensitize clients to the benefits of working with consultants, rectifying the misconception that consulting services are discretionary and non-essential, while also, over time, mitigating some of the prevailing trust issues between clients and consultants. SMCFs can also work with government authorities to address some of the policy and industry-level issues that lock them out from working with public sector clients, including project criteria that tend to disproportionately favor large firms. Finally, as an industry that has been accused time and again of hoarding data and information, an integrated SMCF consortium with more open and transparent channels of communication would allow participating firms to share knowledge and insights to augment business development efforts. This also potentially could include co-creating new opportunities, in lieu of always having to pursue existing ones.

Sometimes the best defense is a good offense. In that spirit, instead of focusing solely on navigating exogenous disruptions to the consulting industry, it may be time for SMCFs to themselves become a source of disruption - one that, for a change, works in their favor.

About Botho Emerging Markets Group

Emerging markets are home to 85% of the world's population – and us.

Botho is a leading investment advisory and strategy consulting firm working on redefining and redirecting Africa's position among emerging markets.

For over a decade, Botho Emerging Markets Group has been a leader in guiding Fortune 500 companies, governments, development institutions, small businesses, and nonprofits in navigating the world's fastest growing markets.

We are entrepreneurs and investors, thought leaders and scholars. Creatives and innovators connecting capital, catalysing conversations, and creating opportunities to implement solutions to complex global problems. We are guided by a common set of values: curiosity, collaboration, and impact.

What we learn from collaborating closely with SMEs and multinational companies as well as government and international organisations, we share to advance a more sustainable, inclusive world.

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