

SAN DIEGO BUSINESS JOURNAL

A SAN DIEGO BUSINESS JOURNAL SPECIAL REPORT

ACCOUNTING & MANAGEMENT CONSULTING



Outside Hands Strengthen Management

MANAGEMENT:
Hiring Consultants Can
Help Leverage Growth

■ BY EMMET PIERCE

Throughout the recent recession and subsequent recovery, San Diego-area businesses have relied heavily on management consulting firms to help them make the most of their potential.

Robert Bruning, office managing partner of Ernst & Young LLP in La Jolla, said companies that were forced to trim their staffs during the economic downturn became reliant on management consultants to fill in the gaps in personnel.

"I think companies are looking for specific expertise and areas in which they may not have the skills or even the headcount necessary to fulfill certain strategic or financing transactions," Bruning said.

As the economy continues its recovery, many San Diego companies are using consultants to help them manage their transition to greater productivity,

Dollars & Percents

A recent survey of 250 U.S. consulting clients at the C-suite level reports that the U.S. market for management consulting grew to \$39.3 billion or 8.5 percent in 2012. The survey was published in June 2013.

Source: Source Information Services and published in Bloomberg Businessweek

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|----|--|
| 82 | The percent of U.S. companies who will not cut the budget for management consultants in 2014 |
| 42 | The percent of U.S. companies who plan to spend more for management consultants in 2014 |
| 5 | The percent of U.S. companies who plan to spend 50 percent more on management consulting in 2014 |

2012 High-Growth Consulting Areas:

| | |
|-------|-------------------------|
| 25.6% | Management and sales |
| 11.3% | Operational improvement |
| 10.1% | Technology |

2012 High-Growth Consulting Industry Sectors:

| | |
|-------|-----------------|
| 18.4% | Health care |
| 12% | Energy |
| 10.3% | Pharmaceuticals |

he said.

"We are seeing a very robust pipeline of companies that need our assurance," he said. "We are seeing very positive growth that is aligning with the economic conditions here in San Diego."

A rise in the need for management consulting is occurring nationally. The

amount they spend on outside help. And 42 percent plan to bring in even more consultants, while 5 percent expect to boost their spending on consultants by more than 50 percent.

Bob Jacobson, west region consulting leader for McGladrey LLP, said many businesses in the San Diego region need help with compliance issues, particularly in real estate and banking.

"They may understand those rules and regulations, but they don't have an independent party who can help them navigate those waters," Jacobson said.

Dealing With 'Big Data'

Local companies often seek help from management consultants to upgrade technology, Jacobson said.

He said some companies are using management consultants to explore how they can best use so-called "big data," which involves sifting through multiple layers of computer-generated information. This data often can be used to discover new clients.

"I do see a lot of opportunities for companies to take advantage of big

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data," Jacobson said.

He said some midmarket companies with their own information technology staffs bring in consultants to gain an outside perspective.

"It takes a certain amount discipline and experience to bring in new ideas, new concepts, new technology into their operations," Jacobson said.

Some companies bring in management consultants before mergers and acquisitions because they lack the in-house expertise, he said.

"We spend a lot of time on that," he said. "There are a lot of dollars being utilized on acquisitions and sales of companies."

Strengthening Security

Jacobson said his business frequently is called on to help with security and privacy.

"It is not just big companies that are being hacked," he said. "There are lots of opportunities for unethical hackers to look at midmarket companies."

Management consultants can be helpful to businesses when it comes to increasing efficiencies, he said. For example, some companies may be working with multiple systems for paying bills.



Chris Allen

"They are not integrated," Jacobson said. "There is redundancy. The opportunity is there for them to streamline."

Chris Allen, managing partner for the San Diego practice of **Deloitte LLP**, said the recent recession created new opportunities



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for management consultants because companies were reluctant to add permanent employees during hard economic times.

"They had to look to consulting firms like us," he said.

That belt-tightening, however, led to a change in the way management consultants often bill clients, Allen said. In many cases, fees are now tied to the savings that result from consultants' recommendations, a practice Allen calls "value-based" billing.

Changing Client Needs

Many businesses that have experienced recent growth are seeking money from venture capitalists and private equity firms to fuel expansion, said **Rick Smetanka**, the partner-in-charge

of **Haskell & White LLP's** audit and business advisory services group.

"In the last 12 to 18 months, we have really seen the capital markets come alive," said Smetanka, who primarily oversees consulting services for clients in real estate and technology.

These growing businesses are seeking advice from consultants on how to make their companies more appealing to investors and lenders.

"There is a need to help these businesses become a little more attractive for the capital market," Smetanka said. "We are coming off a tough cycle. Companies got beat up a little bit. Their internal infrastructures got slashed. Maybe it's time to have a deeper and stronger management team."