

UK Business Leaders' Forum: Moving up the consulting value chain

About

Environment Analyst hosted the latest in our series of UK Business Leaders' Forums on 22 March 2023. It was a closed session via Zoom, presenting our members with the chance to connect with their peers and to freely discuss progress made in moving up the professional services value chain, adopting a "strategic advisory approach", and how the widespread development of the ESG agenda has driven opportunities, since the topic was last discussed in 2020.

Key recommendations

- This industry must capitalise on its ability to deploy the deep domain understanding and technical skills to deliver radical and rapid transformation; this could be achieved by reframing into an advisory or change management wrap
- To close the gap between the management consultants and Big 4 audit firms, environmental and sustainability (E&S) consultants would gain from having a bit more audacity and confidence in their client relationships and approaches
- Rather than moving *up* the consulting value chain, it may be worth reframing as moving *along* it. To meet the scale of the challenges out there – climate, biodiversity, inequity – requires transformation up and down (and along the full extent of) the value chain
- The industry needs to address the capability question and form an integration agenda, to forge key relationships with those within client businesses (e.g. in HR, sales, marketing) they do not typically interact with, to deliver the sustainable transition

Background

The UK Business Leaders' Forum in February 2020 discussed how to improve the value proposition of E&S consultancy, and effectively communicate this value to the C-suite, to compete on a more level playing field with other professional services firms who were beginning to enter the space. This meeting discussed the progress that has been made in the past three years, particularly given the global development of the ESG agenda. Many of the challenges and concerns from 2020 remain pertinent.

At our 2022 Global Business Summit, the CEO of **ERM** Tom Reichert talked about the need for innovation and building a "more integrated and successful business" ([EA 21-Sep-22](#)). E&S consultancies are well-placed to offer technically robust solutions, but helping companies to solve issues around carbon and sustainability management will mean "demanding a seat at the table".

Forum participants discussed the business opportunities and implications of the wider sustainable transition on the consulting value chain, based around four main themes: articulating the value of E&S consultancy, lessons from the Big 4, moving along the value chain, and the outlook for 2023.

Articulating the value of environmental and sustainability (E&S) consultancy

There is a general perception that E&S consulting is still undervalued relative to other professional service disciplines, and participants suggested various reasons as to why. Part of this is down to

being perceived as a means to meet compliance, gain a tick in a box, to or go just beyond that, which is a fixed and fairly low bar i.e. “get the job done, now let’s do the next flood risk assessment”. This poses a significant risk, as to deliver the against the wider global transition and sustainability challenges, consultants cannot afford to simply wait for the regulation to catch up on the ESG front, and therefore it requires a completely different type of client relationship. This industry must capitalise on its ability to deploy the technical skills to deliver radical and rapid transformation.

One business leader suggested that the consulting and technical services industry will continue to undervalue itself so long as fees are charged on an hourly basis. This method doesn’t factor in the unbookable hours that go into thinking and working out how to deliver against complicated challenges; for example, how the journey to net zero can be achieved. As a result, the sector undersells what it does.

To articulate value, one participant suggested a new industry tagline to promote the services and skills on offer: “nobody is going to get anything done without an environmental consultant!” Increasingly, E&S consultants are not just talking to clients, but also the clients’ end customers, their shareholders and other stakeholders, which shifts the mindset into the advisory space. “We are up the value chain, we just haven’t recognised it in ourselves.”

“If we put the net zero planning with the technical engineering solutions in a programme management wrap, with a change management programme related to it, then it becomes quite a powerful offering,” suggested one business leader.

Lessons from the Big 4

The big four (or six) management consultants, such as EY, Deloitte, capture a large amount of client-side spend due to their ability to demonstrate speed, articulate quality of expertise, focus on material issues (not turn over every stone), their scalability, and reach back to 100,000s of global staff. A lot of this value is intangible: “it’s always in the buyer’s perception of value, rather than in the value itself.”

Whilst E&S consultancies ultimately run different business models, the biggest gap between this sector and the big four is conveying confidence, and E&S consultants would gain from having a bit more audacity in what they do. One participant argued that “if we don’t actively push ourselves into a different space to achieve that valuable proposition, we will default to a tentative proposition.” This industry has the quality of expertise, but it isn’t articulated “particularly well enough.” Repositioning into a strategic advisory and leadership role is the path forward.

Unlike the Big 4 and their ilk, environmental consultancies with their more technical roots are those can deliver on the implementation side; and these firms have the bulk of the sustainability specialists despite the scale of these management consultancies. Taking a net zero strategy for context, the easy part is setting the targets and writing a strategy, getting what needs to be done is the hard part. The technical expertise, commercial models and change management is where this sector’s expertise sits. “Rather than dividing out who has which bit of the pie, as the pie grow it’s about how we help scale and accelerate it” argued one business leader.

Moving along the value chain

Rather than moving *up* the consulting value chain, an alternative way to frame it is moving *along* it. To meet the scale of the challenges out there – climate, nature, inequity – requires transformation from all participants at all hierarchies of the value chain. This industry is in a unique position to be bold

about the change because it knows what needs to be done. However, consultants must increase customer engagement, seeking to add value in a meaningful way.

“To move up the value chain is about change management,” said one participant. “We can’t rely on the skills, competencies and business models that have gotten us this far.” The industry needs to address the capability question and form an integration agenda. E&S consultants must form relationships with those client functions they do not typically interact with to understand their role in sustainable development: supply chain, HR, marketing, sales. These functions typically have relationships with the management consultants and accountants, but in order to drive the agenda and enable them to unlock the solutions, E&S practitioners must learn to speak their language and look at how they can build capability in an integrated way across client organisations, the finance sector and also engage policymakers.

A mixed outlook for 2023

One participant stated that 2023 was the best year they could remember in terms of opportunities and strength of the project pipeline, which they expected to continue into 2024. The international push for net zero policy, ESG disclosures and green finance are helping to spur the sector forward, with the new, rigorous European reporting directive (CSRD) a prime example driving work supporting non-financial disclosures. If managed well, such work has the potential to open up opportunities on the strategic side, because companies are required to examine their whole value chain, upstream and downstream.

On a sector front, growth opportunities were identified in the high-tech industry, as well as land development and regeneration, infrastructure and energy transition, with one business leader also citing an increase in government-funded work, including social housing projects. However, another participant highlighted the slowdown of transport related E&S consulting projects in the wake of HS2 and the Welsh roads strategic review.

The wider economic outlook poses other specific challenges, particularly in the UK. Some corporates are refraining from announcing big net zero targets, due to either less interest, or less availability of time and money. M&A activity is suppressed. The global view is mixed; for example, some areas of the US are considered “super hot” due to opportunities flowing from the IIJA and IRA legislation (as discussed at our recent sister [North American Business Leaders’ Forum](#)), whilst the financial sector has notably cooled.

As sectors converge and boundaries become more blurred, for example the influence of renewables on buildings, the biggest risk clients face is the ability to get things done – a challenge this industry should meet head on. E&S consultants are also beginning to take account of matters not traditionally considered as a core discipline, such as social value, which can open up new opportunities.

However, the overall view was generally bullish, through a consensus that the demand for environmental and sustainability expertise was greater than the supply. As one participant put it, “the need is running hot”.

Attendee list

Steven Whittall	Global SVP, Environment & Water	Advisian
Eloise John	Business Unit Director, Energy	AECOM
Kirsty Strannigan	Director	APEM
Cath Greaves	Sector Managing Director – ES&I	Arcadis
Linden Edgell	Global Sustainability Director	ERM
Tom Venables	ESG Lead Consultant	Landmark
Toby Gibbs	Founder	Logika Consultants
Caspar Probert	Director, Environment	Mott MacDonald
Ian Scott	Technical Director – Sustainability	Mott MacDonald
Nathan Swankie	Country Director, Environment and Health	Ramboll
MJ Subiela	EMEA Director – Corporate Citizenship	SLR Consulting
George Evans	Managing Director	Soilfix
Gordon McGregor	Chief Sustainability Officer	Sweco UK
Nick Jarritt	Director, Sustainability Advisory Services	WSP
Ross Griffiths	Managing Director	Environment Analyst
Amanda Rafferty	Community & Events Director	Environment Analyst
Lisa Turner	Membership Development Manager	Environment Analyst
Julian Rose	Chairman & Cofounder	Environment Analyst