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THE FUTURE OF UK ENVIRONMENTAL CONSULTING FIRMS

2019

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TRENDS • FORECASTS • INSIGHTS FROM THE FRONT

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Trends

There are many positive trends currently supporting the Environmental Consultancy (EC) sector in the UK:

PUBLIC SPENDING

Industry pundits feared that UK environment-related public spending could be put under serious pressure over the last year or two. However such worries have proved groundless – spending in the sector is holding up, particularly in infrastructure projects.

BREXIT BONFIRE

This was considered a major potential wildcard risk not so long ago, but *Environmental Analyst* [January 2019] brings us up to date:

“The recent actions by the government in releasing its Clean Air Strategy, Resources and Waste Strategy for England and the tabling of the draft Environmental Principles and Governance Bill during 2018/19 have also helped allay any fears of a bonfire of red-tape post-Brexit.”

25-YEAR PLAN

The Plan lacks a great deal of detail, but many feared far worse. It may be largely in outline, but it does have ambition. It therefore bodes well for the future of the sector.

ENVIRONMENT BECOMES MAINSTREAM

Phrases such as ‘Natural Capital,’ ‘Sustainability,’ ‘Environmental impact’ and ‘Net Gain’ are receiving more general coverage than before. Commentators say it is now commonplace for project sustainability and environmental impact issues to be openly discussed, in contrast to earlier decades. And environmental activism has public attention and support. This all augurs well in many ways, not least in encouraging recruitment into a sector with skills shortages.



Forecasts

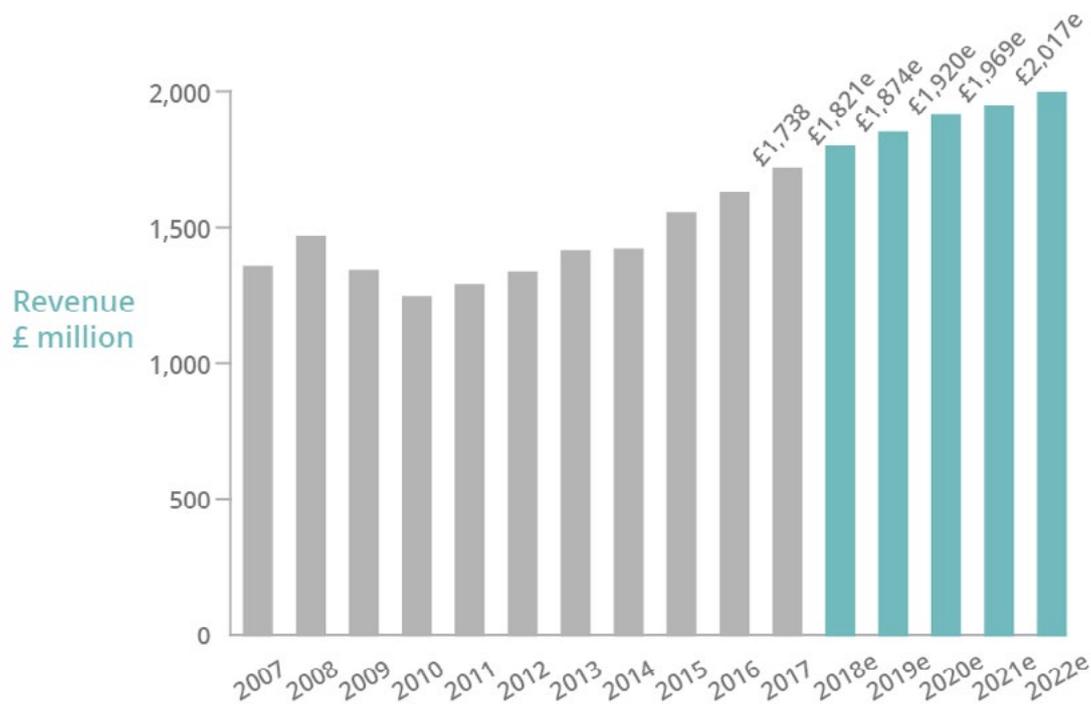
In January 2019 *Environmental Analyst* produced a report saying that growth in the UK environmental consultancy sector is good:

5.1% growth in 2017

4.7% growth in 2018 (provisional)

It is considered likely to continue:

UK Environmental Consultancy market 2007 to 2022e



SOURCE: ENVIRONMENTAL ANALYST

LARGE vs SMALL ENVIRONMENTAL CONSULTANCIES

According to the *Plimsoll report on Environmental Consultants* in June 2019, the largest growth in this sector is primarily led by big firms taking big infrastructure projects. But this only accounts for some of it.

It says that in general the larger companies are growing at 7.5% p.a. growth, compared to the smaller companies who are growing at 3.1%.

Average revenue per head is quite strong:

Large firms £100, 000

Small firms £76, 000

However large ECs don't have all the advantages. In general, the smaller companies are outperforming their larger counterparts in gross profit terms.

The average gross profit margin of **smaller companies is:**

44.3%

Larger companies:

31.3%

THERE ARE SOME DANGER AREAS

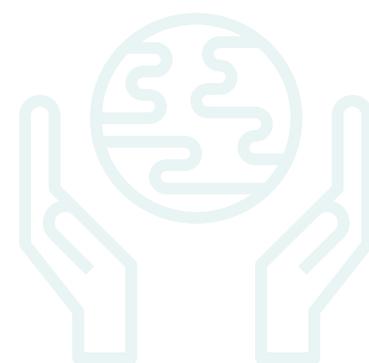
Juggling company growth and profitability simultaneously is notoriously difficult in any sector, and the very wide divergence of numbers across the UK EC sector illustrates this.

Of the 755 of the UK's leading ECs analysed by the researchers, **212 are currently making a loss**. 98 of these have done so for the second year running, and 152 of the ECs have been given a 'Danger' rating.

PEERING INTO THE FUTURE FOR THE SECTOR

So although the general trends are positive, clearly there is a worrying percentage of ECs that are failing to capitalise on their potential. What's to be done?

To find answers, we need to dig a little deeper into what **individual UK environmental consultancies** can tell us. We explore this in the next section.



Insights from the front

FIVE CLUES FOR THE FUTURE

We conducted detailed discussions with three multi-office UK-based environmental consulting firms with employees ranging from 70 to 160.

All three consultancies use Synergist – it's why we know them so well. Our discussions with them reveal some deep thinking on their part about how clients are changing and how ECs can best adapt to emerging trends into the future.

First, we list the five issues they raised:

1

NEED TO ACT LIKE A CONSULTANCY

We hear from ECs that clients are increasingly wanting more than simply a series of jobs done on time. They crave active engagement, useful feedback, unexpected solutions and professional advice.

This was not always the case. So what's changed? It seems that clients are under greater pressure to deliver more with tighter resources, so there isn't always the time to spell literally every detail out in the specification.

The result is that they are becoming more reliant on trusted providers taking a lead. By raising your game to provide this, you raise your reputation, your desirability and your margins.

A change of focus

With clients increasingly looking for something beyond the technical brief, ECs tell us that there is a need for their consultants to raise their game so they can engage more within the client’s world, to think like them, to give them early warnings of project issues, and to be seen as more of a strategic partner. These capabilities are not easily acquired, yet they appear to be an indicator of future directions. We list some of the EC’s answers in the next section.

2

DEALING WITH SKILLS SHORTAGES

You can’t magically increase the pool of skilled candidates. The MD for environment at Arcadis, Andrew Limage, told Environmental Analyst: *“There are just not enough people coming through the university system now in the UK with the necessary science/numerical-based qualifications.”*

The ECs we talked with wrestle with this daily, and it’s a situation that is likely to prevail into the future. They came up with ways to help – we give details in the next section.

3

WHEN GOING FOR GROWTH

Just because you are in a sector that is expanding doesn’t mean that you automatically have a growth culture in your own consultancy. Business cultures need crafting, supporting and directing in order to take root and thrive. This can be greatly aided by some key decisions you make about your infrastructure to improve your future.

We share the thoughts on going for growth from the ECs who have tackled this.



4

QUALITY OF DECISION-MAKING

Good decisions are hard to make in a complex business. Decisions are rippling across your business all the time at every level, and time is always short. How well-informed are the day-to-day decisions your teams make? And what are you basing your biggest decisions on, the ones that will impact your future? It's hard to plan a thriving future unless you tackle this.

The ECs we talked with experienced a step-change in the quality of their decision-making. We give details next.

5

NEED TO STEER, NOT JUST MANAGE

In a world of increasing complexities there is an need to actively steer your company, not simply manage its projects. As an analogy, you don't get in your car and drive about randomly: you carefully steer where you want to go. But how can a complex business such as an EC be steered? Our respondents say you have more control over your future direction than you might think.

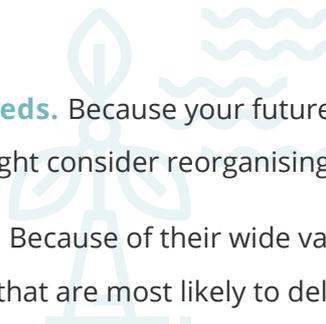
The ECs talked of several types of complexity they have to contend with:

Multiple specialist areas. ECs typically have multiple specialities, each with a different business profile that needs managing, such as seasonality variations, differences in earnings per head and length of sales pipeline.

Project delays. Some projects are on hold for years before suddenly coming to fruition.

Unpredictable needs. Because your future needs are hard to forecast, it may be that you might consider reorganising your structure at some point.

Project direction. Because of their wide variety, it is hard to know which projects to take on that are most likely to deliver for you.



Solutions

The UK environmental consultancies implemented Synergist as their platform to drive their project costing, management and tracking.

But what they discovered is that their Synergist system **also** contributes to solutions to each of the future trends and issues identified in this paper. They decided to tell us about it.

In this section we therefore thought it would be of interest to other ECs if we shared those observations. What follows is their findings in their own words.

The contributors are:

Gary Winder, Managing Director of REC, with 160 employees.

Sara Blannin, Finance Director of ECUS. 70 employees.

Commercial Director, UK environmental consultancy. 75 employees.

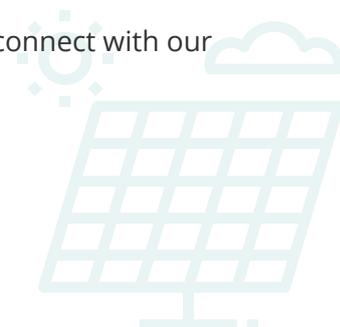
We are grateful to them for their time in volunteering these contributions.

FUTURE TREND 1: THE NEED TO ACT LIKE A CONSULTANCY

Not all consultancies, it seems, do as much consulting as the word suggests. They produce reports, carry out surveys, communicate about current legislation and so on. But do their teams consistently act in a consultative proactive style in the way that clients increasingly expect?

ENGAGEMENT

“Clients want consultants to get involved, pick up the phone, be an active participant in their issues and be part of their team. Synergist helps: It shows the project managers live information on the status of their projects, helping them to manage better and connect with our clients.” [REC]



“Clients want their environmental consultants to | Take an interest in the clients’ needs and their issues | Take a solution-oriented approach, coming up with pragmatic answers | Take a big-picture perspective, avoiding narrow technical definitions of what is needed | Ask, investigate and question until all of the issues are identified so that sound solutions are delivered.” [REC]

How it works

It’s all about **visibility**. Having everything project-related right in front of you makes every team member realise, perhaps for the first time, the complete picture. From quotes, estimates, stages, budgets and billing plans to exactly who is scheduled to work on the project and who is waiting for something from you, they cease to be a lone cog and become part of a collaborative team. Their job becomes more engaging, more consultative.

CLIENT SERVICE

Improving client service isn’t simply about putting an enthusiastic client liaison person onto the account. It’s more about equipping your team with essential information at every touch-point.

“**It has helped raise client service levels.** Synergist gives us early warning of issues, so we can tell from phase tracking where we might have project creep. That’s essential for good communications and solving problems before they escalate. Client feedback is part of our ISO culture, along with billing plans, visibility, client engagement.” [ECUS]

How it works

Improving client service isn’t always top-of-mind when choosing a project management system but the ECs told us that clients do indeed notice due to the clarity, accuracy and speed of communications resulting.



FUTURE TREND 2: DEALING WITH SKILLS SHORTAGES

COMPANY CULTURE

How it works

In a skills shortage you have to develop your existing people as fast as possible and promote them as soon as you can. Sometimes that's an advantage: several ECs told us that hiring expensive consultants from large competitors can result in specialists who are not used to dealing with clients or seeing the wider picture of their decisions. Again, it's all about transparency.

"The transparency of data has helped us develop a **company culture of responsibility and progression**. Because people are more aware of the wider implications of their work, it helps them understand their Line Manager's position better. It even increases the chance of them rising to that position themselves." [ECUS]

CONFIDENCE

Which is better: Hiring people who are naturally always confident no matter what they are doing?

Or arming them with information they need and trust, so they can develop a confidence that is evidence-based and authentic?

"It's given project managers more confidence. It's empowering for them. I always say that the only way you can be convincing is to be convinced yourself. With the data in front of you, your actions and communications are backed up with evidence and reality. So people are more self-assured now." [ECUS]



CAREERS

Speeding up the career development of your existing team members is emphatically one of the smartest things any company can do. Technology can be a positive disruptor in this regard, even though this particular effect may have been unanticipated.

“You could say that Synergist is a **career development accelerator**. Today, a team member thinking of working for any major consultancy has to understand the big picture, be familiar with key processes, be financially astute and commercially savvy. They learn these things at ECUS now. This helps their careers, and it helps us.” [ECUS]

DELEGATING

Would your best team members automatically be the best delegators if they were promoted?

Not necessarily. It's like companies assuming that their best salespeople will become their best sales managers. It just doesn't follow.

Delegating can be greatly assisted, however, by having transparent access to the right information.

“You have to encourage people to progress. When consultants become managers they sometimes don't like to let go and delegate. **They're specialists, not instinctive business managers**. That's a constraint on growth. Synergist helps: The manager can delegate and see that everything's reassuringly under control, and it helps them see their area as a business, making their priorities and decisions clearer.” [REC]

FUTURE TREND 3: GOING FOR GROWTH

GROWTH AS PART OF YOUR DNA

“With growth being such a driver for us, Synergist's ability to provide detailed visibility of our operations, enable project managers to make sound decisions – and of course its scalability – are a big plus. It is therefore part of our ongoing growth plans. To take commercial culture seriously, you need to make it a key part of your DNA.” [REC]

“We have a growth culture here. Before Synergist **the drive for growth would mostly come from the top**, but now it’s more a part of the culture across the company. Growth isn’t at the expense of quality or clients – quite the opposite. It’s having the data to make better decisions that, in turn, help growth happen. We couldn’t have made such a shift without having the infrastructure in place.” [ECUS]

MULTIPLE OFFICES

Poor communication can act like a brake on business expansion. But it doesn’t automatically follow that adding extra offices inevitably means significant communication disruption. Giving everyone access to the same shared information resource acts as a natural lubricator for the wheels of expansion.

“Synergist has helped communications **between our regional managers**. Now they all have the visibility to know what the others are working on and what their resourcing levels are, so they can quickly sort out issues together.” [ECUS]

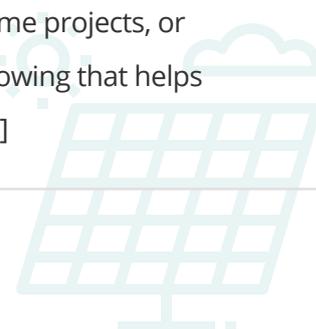
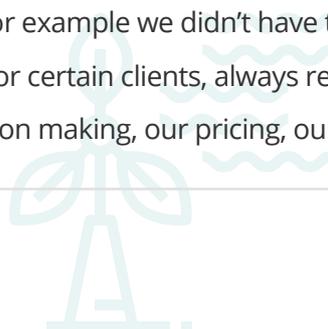
FUTURE TREND 4: GOOD DECISION-MAKING

BIG DECISIONS

“Synergist helps us to make huge decisions that we couldn’t do before. For example, we have made structural changes as a direct result of the data provided by Synergist.” [REC]

PATTERNS

“Previously it wasn’t easy to create exception reports or to see patterns in profitability, making it impossible to be sure that our projects were going to contribute to the bottom line. Patterns emerge that we couldn’t see before. For example we didn’t have the visibility that some projects, or working for certain clients, always resulted in a loss. Knowing that helps our decision making, our pricing, our prioritising. [ECUS]



FEWER SURPRISES

“Going forward, it’s about learning better from what we do today. We’re better at avoiding common mistakes, such as underestimating the time needed for certain types of jobs. Utilisation is a lot easier to manage now. No more surprises.” [ECUS]

“Costings can now be analysed and lessons learned, leading to better project management in the future. Similar project work can be costed more accurately for future work.” [UK environmental consultancy]

ENTIRE TEAM

“The entire team can now connect to the same project, time and expenses information. Perhaps the single biggest benefit of all is the instant way we now get the overview of all the projects summarised together at any one time, showing values and work in progress.” [UK environmental consultancy]

How it works

How do you improve decision-making across your business? The fact is that decisions are far easier if you have all the clear, up-to-date facts in front of you. Appropriate information is mapped to each role. Suddenly, all those day-to-day decisions become informed, and thus better and faster.

FUTURE TREND 5: STEERING YOUR BUSINESS

OVER-RELIANCE ON GUT INSTINCT

“We are now able to be more selective over which projects to take on, which is especially helpful when we’re busy. We can ensure that we focus on the projects that are both productive and profitable. You can’t run 250 projects by gut feel alone.” [ECUS]

SPECIALIST AREAS

“Managing our specialist areas is quite complex because each has a different profile in terms of seasonality, support requirements, earnings per head, length of sales pipeline, and so on. Synergist helps us to manage all this.” [REC]

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MANAGING COMPLEXITY

“We have a great many projects to track here, and some of them are long term. Some projects are on hold for years and then picked up again. And any one project could have a dozen different consultants working on it.” [UK environmental consultancy]

“Our ecology work means that we have seasonality swings throughout the year, being extremely busy between April and September. We wanted to implement an annualised hours system, but our old system didn’t make it feasible.” [ECUS]

FUTURE-PROOFING

“Synergist has flexibility. Since implementing it we have reorganised our structure and grown just about every one of our specialities.” [REC]

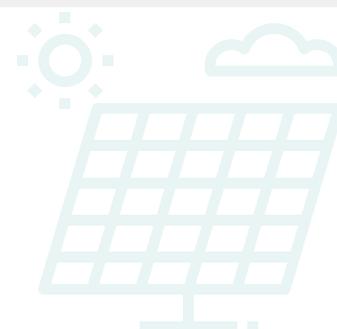
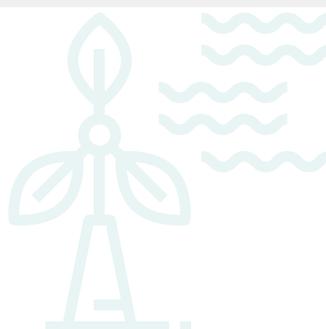
“Synergist is **our platform for the future.**” [ECUS]

How Synergist helps you to steer your business

By seeing which projects and clients have been the most profitable for you, and only taking on such projects in the future, you are actively steering your business forward.

Similarly, having information about your staff utilisation levels will reveal which project types are working best for you.

ECs often tell us of surprising hidden patterns that are revealed in this information, resulting in major decisions about business direction.



Conclusion

The UK Environmental Consultancy is thriving and the future looks promising.

But not every business in the sector is receiving its potential rewards. Far from it. And peering into the future is a bit daunting. Clients are becoming more demanding, skills are still in short supply, and it's hard to deliver on so many projects all the time, let alone take the actions you need to actively steer the enterprise forward.

So it's hardly surprising that it's a challenge. Quite apart from all your specialist environmental knowledge, running the business itself is hard. It's a lot of issues to juggle with every day, particularly if you're relying on what some businesses still rely on: a mashup of spreadsheets, individual apps, effort and gut instinct alone.

The three UK environmental consultancies we profile here have a story to tell: that getting the right platform can make a big difference. Synergist connects their teams to a single source of truth, bringing clarity, order and better-informed decisions to all who are connected. It also helps them grow, not least because it handles growth seamlessly from 15 to 600 people.

With instant access to needed information, projects run more smoothly, people collaborate better and more time is released to focus on client work. Live visibility. Clear links between operations and financials. Reduced

inefficiencies, increased profitability and better service to clients. Wouldn't these make your future look more secure?



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