Accenture Consulting:

Strategic Analysis of Employee Attrition

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7 December 2018

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Introduction

With over 430,000 employees and 35 billion dollars in total revenue, Accenture emerges as one of the premier consulting firms, consistently ranking on Forbes list of top ten most profitable management consulting companies ("Accenture FY 2017"; Valet, 2018). Founded in 1988 under the name Anderson Consulting, the company originally offered a range of technology services to financial institutions and telecommunications companies. After rebranding as Accenture in 2001, the company began to incrementally diversify its services. Now, it offers both business consulting and outsourcing to clients in a variety of industries, including automotive, high tech, communications, packaged goods, and much more ("Timeline"). The consultancy competes in a highly aggressive field against other well-known firms such as McKinsey and Company, Boston Consulting Group, and Deloitte. Comparably to its competitors, Accenture struggles with employee retention, reporting an attrition rate of 12-18 percent over the last two years, roughly 60,000 employees annually ("Q1"). Since consulting firms rely heavily on skilled, specialized professionals to conduct projects, employee retention remains a key driver of success for Accenture as the company expands both locally and internationally. If the company discovered methods to increase employee retention, the company could invest large amounts of capital into other business areas, such as implementation of technology or expansion into new geographic regions. In order to formulate effective strategies moving forward, an analysis of Accenture's internal and external environments as well as a thorough issue identification are needed. Once clear evaluations have been developed, possible solutions can be generated and filtered into a final recommendation.

Internal and External Environment

By unpacking Accenture's task, general, and internal environments, important insights appear, helping to accurately frame later strategic issue analyses and recommendations. Externally, many forces in the task environment influence the profitability of Accenture's operations, as outlined by the Porter's Five Forces framework, including the threat of new entrants, rivalry between competitors, the bargaining power of buyers, the bargaining power of suppliers, and the threat of substitutes. As stated in the 2018 IBISWorld Industry Report, the threat of new entrants for management consulting companies remains high due to the "low level of regulation and minimal startup costs" (Lifschutz, 2018, p. 26). In other words, the small initial investment and lack of legal requirements has led to the creation of countless boutique consultancies, each servicing a defined geographic area or specialized market. Analysts estimate that small, non-employing firms comprise around eighty percent of the total industry (p. 22). Despite the considerable amount of local consulting companies, a few large firms emerge as forerunners in organizational strategy and implementation, including McKinsey and Company, Boston Consulting Group, Deloitte, and Accenture. While known for their innovation and prestigious clients, each company only makes up around five percent of the total market, due in part to the "large breadth of need from clients and range of potential clients to choose from" (p. 22). Yet, with industry revenues close to 250 billion, five percent equates to 12.5 billion in total revenue each year, a significant amount of business in spite of overall market size.

Among the large consulting companies listed, rivalry among competitors is high and increasing, mainly due to the limited supply of substantial projects (Lifschutz, 2018, p. 25). With an abundance of consultancies to choose from for each proposal, buyers' bargaining power also remains high, driving competitors to frequently expand their offerings in an effort to secure "high-value contracts" (p. 25). Over half of the industry's total revenue comes from customers in financial services and consumer packaged goods, with another twenty percent originating from governmental organizations (p. 17). While the service-oriented industry contains no clear suppliers, consulting companies rely heavily on skilled, intelligent workforces to build brand reputation and successfully capture new business (p. 26). As a result, the bargaining power of suppliers is high, since new recruits are often targeted by a host of companies after graduating from undergraduate and graduate business programs. Lastly, the threat of substitutes has recently increased, as technological advances begin to replace many of the services offered by consultancies. As reported in Harvard Business Review, some consulting companies are beginning to implement "software and technology-based analytics and tools that can be embedded at a client," eliminating the need for "ongoing engagement" once a project has been completed (Bever, 2013). In essence, such technologies replace the demand for continuous analytic and auditing services previously provided by consultants. Additionally, many clients now house internal strategy departments to curb the use of costly external consulting services. Consequently, consulting companies now depend more than ever on brand equity and loyalty to win new projects.

In the general environment, economic, political, and social factors influence the long-term trajectory of the consulting industry. As previously stated, state and federal regulations are low, creating a positive climate for companies like Accenture as they expand (Lifschutz, 2018, p. 26). Moreover, economists predict a steady growth rate of 2.2 percent in total U.S. GDP until the year 2023 (p. 13). As business activity increases, the need for consultants grows as well. Meaning, an improvement in overall GDP implies a proportionate expansion in the consulting services over the next five years. Lastly, according to the 2017 U.S. Census, the number of American citizens receiving higher education continues to rise, with around thirty percent of people aged 25 or older having completed a bachelor's degree (Wilson, 2017). For the consulting industry, an increase in undergraduate degrees signifies greater numbers of skilled employees entering the workforce in coming years, widening Accenture's pool of potential applicants.

Internally, Accenture's key resources determine its capabilities. The company's tangible resources include office locations in around 200 cities across 53 countries ("Q4"). Each location houses hundreds of skilled professionals, the basis of the company's strategic services and organizational structure. Accenture also utilizes its sizable revenue stream to compensate its employees and cover fixed expenses. Finally, the company relies on innovative predictive algorithms along with other technological advances to create effective recruiting and human resource processes (Sarkar, 2016). Intangibly, Accenture benefits from a strong brand, developed through years of successful, timely projects completed for "more than three-quarters of the Fortune Global 500" companies ("Q4"). The firm's reputation aids greatly in the acquisition of new projects. The company also benefits from a number of patents, including one for the "analytics-based multi-cloud tagging capabilities" found in the Accenture Cloud Platform ("Accenture Cloud," 2018). Both its tangible and intangible resources feed into Accenture's capabilities. Split into five separate business streams, the company's capabilities include, strategy, consulting, digital reinvention, technology implementation, and outsourcing. In total, Accenture offers a full-line of strategic and operational services to clients hoping to gain a competitive edge.

In summary, Accenture competes in a constantly evolving field, coping with high threats of new entrants, high bargaining power of suppliers and buyers, tough rivalry among competitors, and an increased threat of substitutes. The general environment looks favorable for consulting companies as the overall GDP grows, the pool undergraduates expands, and regulations stay nonexistent. Moving forward, Accenture's locations, people, brand, and technology will continue to influence its ability to serve its clients with insights and implementation.

Issue Identification

As stated in the analysis of Accenture's external environment, large consulting companies all vie for a limited number of high-profile projects, leading to increased levels of competition between rivals. In such a hostile operating climate, each company leverages a highly-skilled, intelligent workforce to obtain the upper hand. As a result, securing a consultant with "specialized knowledge that relates to client's operations" is imperative for the success of each consultancy (Lifschutz, 2018, p. 22). To persuade potential employees to sign-on with Accenture, the company offers ambitious starting salaries to new recruits. For instance, the average pay for a first-year consultant hovers around $70,000, while the initial pay for an experienced hire jumps to around $103,000 per year ("Accenture Salaries," 2018). Yet, despite Accenture's considerable investment in labor costs, the company loses around 12-18 percent of its employees annually ("Q1"). The Center for American Progress estimates employee turnover costs about 20 percent of an employee's yearly salary (Boushey, 2018, p. 1). When applied to Accenture, this implies an annual loss of at least 882 million dollars, a serious financial expense. Additionally, because company loyalty often depends upon strong connections between a consultant and his/her client, the continual loss of employees jeopardizes the viability of long-term business relationships.

Recognizing the potential impact of the company's turnover rates, Accenture has made significant attempts in the past to increase employee retention, utilizing its expertise in business technology to craft innovative human resource solutions. For example, through the use of predictive algorithms, Accenture tried to abate attrition by weeding out potential recruits whose behaviors were linked to higher rates of dissatisfaction and turnover (Sarkar, 2016). The company hoped that by preventing incompatible recruits from joining the company, they could avoid future departures. Unfortunately, attrition rates remain high, even after the technology implementation.

So, what continues to inflate employee turnover rates? One potential explanation may be the rigorous work requirements common across consulting companies. As is routine in other industries such as investment banking or law, employees within the field of consulting average close to 50 to 80 hours of work each week. Moreover, in a research study done by *Consultancy,* 77 percent of consultants reported working "more than their contract hours" ("Work-Life"). In total, this means consultants at Accenture work anywhere from 12 to 14 hours per day, six days a week. In addition to the long hours, Accenture's consultants spend the majority of their work week traveling to client locations across the country. Starting on Monday morning, consultants fly to hundreds of project sites, returning home on Thursday night and continuing to work from various Accenture offices on Friday. The long work hours coupled with the variable travel requirements adversely impact the morale of Accenture's employees. For instance, as stated on Indeed's online Accenture profile, previous employees note the strenuous work requirements and an unequal work-life balance as top motivations for leaving the company ("Why Did You Leave," 2017). Similar complaints prevail throughout the consulting industry as the millennial generation pushes back on "long and demanding hours" and the "lack of flexibility" common in many analyst positions (Blacklock, 2015). Thus, if companies discovered techniques to cut back on travel or time requirements, employee morale may improve over time, leading to less instances of attrition without decreasing productivity levels. Such assumptions are supported by a 2014 study by the Institute for the Study of Labor, who found that employees who worked 70 hours a week accomplished negligibly more than those who worked 56 hours (Pencavel, 2014). Another study by Harvard business professor, Leslie Perlow, found that consultants who set aside specific times of rest felt better about their jobs and perceived the quality of work presented to clients more positively (Anders, 2012). In other words, by making moves to decrease fatigue, Accenture could potentially decrease consultant turnover and increase employee satisfaction, while still delivering substantial value to customers.

In conclusion, Accenture copes with its hostile task environment by cultivating an experienced workforce that offers unmatched value to the company's high-profile client base. However, due to the strenuous travel and time requirements common across consulting positions, the company continues to see increased levels of employee attrition, despite attempts to meticulously interview potential consultants during the recruiting process. Moving forward, methods to decrease work fatigue may prove to be effective in decreasing attrition, leading to financial savings, greater client loyalty, better employee morale, and quality project deliverables.

Recommendations

A number of alternative methods exist to curtail Accenture's employee burnout. To start, the company could pursue a more restrictive approach to staffing procedures. Instead of placing consultants on projects across the United States, the organization could staff consultants on projects closer to home, removing the need for constant travel and allowing employees to develop stronger roots with members of their home office. Similar models are often utilized by smaller consulting companies to drastically reduce airfare and hotel expenditures. If Accenture made efforts to keep employees local, the company could also benefit from decreased travel costs and potentially lower employee attrition. However, a local approach may jeopardize Accenture's competitive advantage, since, when operating under a regional staffing approach, consultants take on projects in a variety of industries. Because of the variation in work, employees become generalists, as opposed to specialists in a specific industry or skill set. With a significant reliance on intelligent, specialized labor, a generalist approach could negate Accenture's ability to compete against bigger firms like McKinsey or Bain when attempting to secure large proposals from Fortune 500 companies. So, the loss in business may outweigh the cost benefits associated with the regional staffing strategy.

Another option to decrease attrition is to allow consultants to work remotely. As stated in a 2017 Gallup poll, over 43 percent of the 15,000 adults surveyed reported working from home occasionally. Moreover Gallup " consistently has found that flexible scheduling and work-from-home opportunities play a major role in an employee's decision to take or leave a job" (Chokshi, 2017). By transitioning consultants to online platforms, Accenture could reduce the amount of time spent traveling, keep up with changing work environments, and give employees more flexibility. The change in organizational structure may also increase productivity. For instance, Stanford recently released a study in 2016 in which a Chinese call-center allowed employees to work from home. The modification in work environment proved effective, increasing output by 15 percent (Useem, 2017). So, working remotely could potentially boost productivity while abating employee dissatisfaction. However, a lack of face-to-face interaction between team members and clients could lead to breakdowns in communication or team cohesion. In an industry where business often depends on relationships between consultants and company executives, maintaining strong, consistent connection remains vital for the success of any consultancy. If such relationships were jeopardized, Accenture would again be unable to compete in a highly aggressive field.

Accenture's final option to increase retention is to redesign consultants' work schedules. As discovered by Harvard professor Leslie Perlow, building in times of rest positively impacts employee morale and project quality across the consulting industry (Anders, 2012). So, with this in mind, Accenture could lessen the travel requirements common across the company's five business streams, instead implementing a three-weeks-on, one-week-off work model. As opposed to traveling to the project site four weeks out of the month, employees would fly to client locations for three weeks and then work in their respective home offices on the fourth week, allowing them to maintain close ties to executive clients while also achieving consistent periods of rest. While this model promises to curb employee travel requirements, precautions would need to be taken to ensure that consultants' "off-weeks" did not overlap excessively. Moreover, the planning associated with this model may put additional stress on managerial teams tasked with employee placement and scheduling, increasing administrative costs.

So, how can Accenture meet the needs of employees while preserving its strategic competitive advantage? Ultimately, a regional staffing approach would deteriorate the company's reputation of specialized deliverables. Similarly, moving all workers to online platforms, while in line with current work trends, would require a complete overhaul of Accenture's current operating model, a feat which would demand complete buy-in from the company's thousands of managers, employees, and stakeholders. Redesigning consultant work schedules, on the other hand, would allow consultants the chance to remain regularly connected with clients while also building in traveling breaks. Despite the potential increase in administrative costs, the opportunity to decrease employee attrition through increased morale far outweighs the price, both in cost savings and the perpetuation of client-consultant relations. If implemented, Accenture could invest funds that previously went to staffing strategies to expand to new regions or develop new technologies, all in an effort to continue offering key insights and services to clients.

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