

U.S. Census Bureau

**Management Consultancy Activities  
in the United States**

**Turnover by Product Measures and Practices in U.S.**

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Mark E. Wallace  
U.S. Census Bureau  
[Mark.e.Wallace@census.gov](mailto:Mark.e.Wallace@census.gov)

Abstract: There is a wealth of turnover/output data by industries and products covering the management consultancy in the United States. However, there is presently very little data of a comparable nature on the prices associated with those outputs. This paucity of prices data will drastically change by 2009, resulting in a virtual direct alignment of detailed data on turnover by product and prices for management consultancy in the United States.

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Mark Wallace is Chief of the Service Sector Statistics Division at the U.S. Census Bureau, responsible for several major Economic Census and current surveys programs covering the non-goods producing sectors of the US. Economy. This paper presents the opinions of the author only and does not necessarily reflect the opinions of the U.S. Census Bureau.

## **1. Definition of Service Being Collected**

The “Management Consulting Services” industry, North American Industry Classification System (NAICS) 54161, is part of the broader industry group, NAICS 5416, “Management, Scientific, and Technical Consulting Services” in NAICS United States 2002. As shown below, NAICS industry group 5416 is classified into the three broad categories and a number of different national level industries in NAICS United States 2002.

For each of these industries, the 2002 Economic Census collected and published data covering the establishments of firms with payroll, including revenue received from management consulting services as well as a number of related product lines such as actuarial consulting services and executive search services. A separate program provides industry level data for non-employers.

<b>5416 – Management, Scientific, and Technical Consulting Services</b>
<b>54161 – Management Consulting Services</b>
<b>541611 – Administrative Management and General Management Consulting Services</b>
<b>541612 – Human Resources and Executive Search Consulting Services (with separate breakouts for Actuarial Consulting, Executive Placement Services, and Human Resources and Personnel Management Consulting)</b>
<b>541613 – Marketing Consulting Services</b>
<b>541614 – Process, Physical Distribution, and Logistics Consulting Services</b>
<b>541618 – Other Management Consulting Services</b>
<b>54162 – Environmental Consulting Services</b>
<b>54169 – Other Scientific and Technical Consulting Services</b>

This paper will primarily concentrate on NAICS 54161 and the five six-digit industries under NAICS 54161, although, for various contextual purposes, references will be made to the broader industry group NAICS 5416 as well as the other industries within this industry group. NAICS 54161, Management Consulting Services covers units that are primarily engaged in providing advice and assistance to businesses and other organizations on management issues, such as strategic and organizational planning; financial planning and budgeting; marketing objectives and policies; human resource policies, practices, and planning; production scheduling; and control planning. It is important to note that for 2007 NAICS, the businesses engaged in executive search consulting have been moved out of NAICS 54161 and into NAICS 5613 (employment services).

## 2. Unit of Measure to be Collected

The services being collected and measured in the management consulting service industries are based on the value of the service being provided. Revenues for management consultancy are directly collected from respondents.

## 3. Market Conditions and Constraints

Table 1 draws industry-level data pertaining to management consultancy from the 2002 Economic Census and the 2002 Nonemployer Statistics Report. This table depicts the sizes and characteristics of the broader 4-digit industry group 5416; the three 5-digit NAICS industries 54161, 54162, and 54169; and the five 6-digit industries (U.S. detail industries) shown in non-bold font.

**Table 1. Management, Scientific, and Technical Consulting Services in the United States: 2002**

NAICS Code and Kind of Business	Estab-lishments with pay-roll (number)	Total receipts/revenue (\$millions) (rounded)	Employ-ees (number)	Esab-lishments without payroll (number)	Total receipts/revenue (millions) (rounded)
<b>5416 Management, Scientific, and Technical Consulting Services</b>	<b>116,159</b>	<b>105,452</b>	<b>738,675</b>	<b>464,605</b>	<b>18,637</b>
<b>54161 Management Consulting Services</b>	<b>93,549</b>	<b>90,915</b>	<b>626,646</b>	(NA)	(NA)
541611 Administrative Management and General Management Consulting Services	48,377	53,708	352,805	(NA)	(NA)
541612 Human Resources and Executive Search Consulting Services	16,247	14,321	121,685	(NA)	(NA)
541613 Marketing Consulting Services	18,887	14,329	94,635	(NA)	(NA)
541614 Process, Physical Distribution, and Logistics Consulting Services	5,305	6,906	43,927	(NA)	(NA)
541618 Other Management Consulting Services	4,733	1,650	13,594	(NA)	(NA)
<b>54162 Environmental Consulting Services</b>	<b>8,536</b>	<b>6,933</b>	<b>57,219</b>	(NA)	(NA)
<b>54169 Other Scientific and Technical Consulting Services</b>	<b>14,074</b>	<b>7,605</b>	<b>54,810</b>	(NA)	(NA)

The Management, Scientific, and Technical Consulting Services industry group in the U.S. includes industries that are highly competitive with relatively few barriers to entry and exit. As in most industries/industry groups, establishments with payroll (employers) differ markedly from establishments without payroll (nonemployers). Specifically, there were four times as many nonemployers (464,605) as there were employers (116,159) in this industry in 2002. Moreover, for employers, receipts per establishment averaged \$908 thousand in 2002 while for nonemployers, average receipts per establishment were \$40 thousand.

## 4. Standard Classification Structure and Product Details/Levels

The United States does not currently have an official standard product classification system although the provisional North American Product Classification System (NAPCS) is under development. Detailed products were collected for each of the industries covered in this paper (see Table 1) in the 2002 Economic Census. To provide an example of the level of turnover by product detail in the U.S., Table 2 includes data for these product lines of NAICS 54161 during 2002.

**Table 2. Product Lines by Management Consulting Services for the United States: 2002**

NAICS Code, Kind of Business, and Product Line	Estab-lishments with the Product Line (number)	Estab-lishments with the Product Line (total receipts/ revenue-\$millions rounded)	Product Line Receipts/ Revenue (\$millions) (rounded)	Product Line Receipts/ Revenue As Percent of Total Receipts/ Revenue of Estab-Lishments With the Product Line ( <b>Specialization Percent</b> )	Product Line Receipts/ Revenue As Percent of Total Receipts/ Revenue of All Estab-lishments
<b>54161 Management Consulting Services</b>	93,549	(X)	90,915	(X)	100.0
Financial Auditing Services	1913	2,481	411	16.6	.5
Bookkeeping, Compilation, Payroll, and Taxation, Services	2100	4,027	752	18.7	.8
IT Technical Consulting Services	741	1,313	340	25.9	.4
Custom Computer Application Design and Development Services	670	924	164	17.7	.2
Computer Systems Design, Development, and Integration Services	1,266	1,504	319	21.2	.4
IT Infrastructure (Computer) and Network Management Services	441	647	112	17.4	.1
Management Consulting Services: Actuarial Consulting Services	1,066	5,266	2,295	43.6	2.5
Management Services: Construction Management	750	430	159	36.9	.2
Management Services: Other Management Services	1,434	1,272	669	52.6	.7
Facilities Management Services, Excluding Computer	675	662	165	24.9	.2
<b>Management Consulting Services</b>	<b>85,127</b>	<b>85,108</b>	<b>78,714</b>	<b>92.5</b>	<b>86.6</b>
<b>Administrative and General Management Consulting Services</b>	<b>50,548</b>	<b>55,416</b>	<b>48,472</b>	<b>87.5</b>	<b>53.3</b>
<b>Human Resources Consulting Services</b>	<b>10,683</b>	<b>14,019</b>	<b>7,775</b>	<b>55.5</b>	<b>8.6</b>
<b>Marketing Consulting Services</b>	<b>22,203</b>	<b>18,452</b>	<b>13,612</b>	<b>73.8</b>	<b>15.0</b>
<b>Process, Physical Distribution, and Logistics Consulting Services</b>	<b>6,543</b>	<b>8,415</b>	<b>6,581</b>	<b>78.2</b>	<b>7.2</b>
<b>Other Management Consulting Services</b>	<b>7,550</b>	<b>4,133</b>	<b>2,276</b>	<b>55.1</b>	<b>2.5</b>
Environmental Consulting Services	448	313	63	20.1	.1
Scientific/technical Consulting Services	503	312	135	43.3	.1
Public Relations Services	1,270	536	72	13.3	.1
Engineering Services	65	40	11	28.4	(Z)
Executive Search Services, Including Retained Search	9,613	5,363	4,568	85.2	5.0
Merchandise Sales	2,875	2,944	686	23.3	.8
All Other Operating Receipts	4,432	8,668	1,280	14.8	1.4

Source: 2002 Economic Census, Subject Series, Product Lines: 2002, Professional, Scientific, and Technical Services

**Notes:**

1. Product lines shown in light gray font will be excluded from the 2007 Economic Census. These product lines were dropped due to their relative economic insignificance.
2. Product lines shown in bold font are the primary sources of revenue for NAICS 54161, comprising 86.6 percent of total industry receipts, or \$78.7 billion of the total of \$90.9 billion in revenue generated by this industry in the United States in 2002.

Even though the level of product line detail available for 2002 was substantial, the amount of detail will be increased for 2007. The requirements to expand product line detail for 2007 came from a mixture of private and public sources, including primary input from U.S. government national income accountants (Bureau of Economic Analysis) and price statisticians (Bureau of Labor Statistics)

Shown below is a list of the product inquiries for Management Consulting and Implementation Services, Other Consulting Services, and Other Services proposed for inclusion in the 2007 Economic Census. Data from the 2007 Economic Census will be available for publication in the year 2009.

Section 8 of this paper describes the Bureau of Labor Statistics' plan to expand its PPI structure for Management Consulting Services in 2007. The bracketed notes in bold font shown below reflect the corresponding PPI for the components of management consulting, appropriate for deflating nominal turnover data for the associated product lines.

### **Management Consulting and Implementation Services**

**Notes:**

- 1. Product lines in italicized font will be new for 2007.**
- 2. "Specialization percents" (as illustrated in Table 2 and included below) show the percentage of total revenue derived from a particular product line by establishments actually providing that product line. For example, the "Marketing Consulting Services" product line (see Table 2) comprised only 15.0 % of total revenue for the management consulting services industry. However, for the 22,203 establishments that actually provided marketing consulting services, this product line comprised a quite substantial 73.8% of their receipts.**

- 1. Strategic management consulting and implementation services*
  - a. Business strategy and planning consulting and implementation services*
  - b. Corporate development and restructuring consulting and implementation services*
  - c. Other strategic management consulting and implementation services*

(2002 equivalent product line – "Administrative and General Management Consulting Services": 87.5% specialization, 53.3% of NAICS 54161 total)

**[Proposed Producer Price Industry Index by the U.S. Bureau of Labor Statistics: 5416101 - Administrative and management consulting services]**

- 2. Financial management consulting and implementation services*
  - a. Management accounting and controllership consulting and implementation services*
  - b. Other financial management consulting and implementation services*

(2002 equivalent product line – “Administrative and General Management Consulting Services”): 87.5% specialization, 53.3% of NAICS 54161 total)

**[Proposed Producer Price Industry Index by the U.S. Bureau of Labor Statistics: 5416101 - Administrative and management consulting services]**

3. Marketing management consulting and implementation services
  - a. *Marketing strategy and market development consulting and implementation services*
  - b. *Sales management and development consulting and implementation services*
  - c. *Other marketing management consulting and implementation services*

(2002 equivalent product line – “Marketing Consulting Services”): 73.8% specialization, 15.0% of NAICS 54161 total)

**[Proposed Producer Price Industry Index by the U.S. Bureau of Labor Statistics: 5416103 – Marketing consulting services]**

4. Human resources management consulting and implementation services
  - a. *Compensation and benefits consulting services*
  - b. *Other human resources management consulting services*

(2002 equivalent product line – “Human Resources Consulting Services”): 55.5% specialization, 8.6% of NAICS 54161 total)

**[Proposed Producer Price Industry Index by the U.S. Bureau of Labor Statistics: 54161022 – All other human resources consulting services]**

5. *Operations and supply chain management consulting and implementation services*
  - a. *Integrated supply chain and logistics management consulting and implementation services*
  - b. *Operations management consulting and implementation services, excluding logistics consulting*

(2002 equivalent product line – “Process, Physical Distribution, and Logistics Consulting Services”): 78.2% specialization, 7.2% of NAICS 54161 total)

**[Proposed Producer Price Industry Index by the U.S. Bureau of Labor Statistics: 5416104 – Process, physical distribution, and logistics consulting services]**

**Other Consulting Services (Note: Specialization percents and the percent of NAICS 54161 total from the 2002 Economic Census are shown in parentheses)**

1. Actuarial consulting services, except for employee pensions and other benefits (43.6, 2.5)

2. IT technical consulting services (25.9, 0.4)
3. Scientific/technical consulting services, except environmental (43.3, 0.1)
4. All other consulting services (20.1, 0.1)
5. Financial auditing services (16.6, 0.5)
6. *General accounting services*
7. Bookkeeping and compilation services (18.7, 0.8)
8. *Payroll services*
9. IT services (17.4, 0.1)
10. Custom computer application design and development services (17.7, 0.2)
11. Computer systems design, development, and integration services (21.2, 0.4)
12. IT infrastructure (computer) and network management services (17.4, 0.1)

**[Proposed Producer Price Industry Index by the U.S. Bureau of Labor Statistics: 5416105 – Other management consulting services]**

**Other Services**

1. Executive/retained search services (85.2, 5.0)

**[Proposed Producer Price Industry Index by the U.S. Bureau of Labor Statistics: 54161021 – Executive search consulting services]**

2. Other management services
  - a. Resale of merchandise
  - b. All other operating receipts

**[Proposed Producer Price Industry Index by the U.S. Bureau of Labor Statistics: 541610SM – Other receipts]**

Note the following changes for the Economic Census in 2007 as compared to the 2002 product lines:

- Some 2002 lines were dropped (depicted in gray scale in Table 1), because they were economically insignificant for the management consulting services kind of business. These include: management services/construction management; facilities management services, excluding computer; environmental consulting services; public relations services; and engineering services.
- A number of the most economically significant product lines for 2002 have been divided into more detail for 2007. Specifically, those detailed 2002 lines included in boldface font in Table 2 under the broad line “management consulting services” have been reconfigured into the more detailed categories shown above under the Management Consulting and Implementation Services heading for 2007. For example, the 2002 product line “Administrative and General Management Consulting Services” has been divided into two new broad product lines “Strategic Management Consulting and Implementation Services” and

“Financial Management Consulting and Implementation Services,” with even more detail included under each of these two new broad categories.

#### **5. Evaluation of Standard vs. Definition and Market Conditions**

The NAPCS products used in the Economic Census are intended to match the apparent market conditions in the area of management consultancy. The 2007 proposal essentially expands requested data for basic types of management consulting services and expands the list into related implementation services that may be of interest. As illustrated in Section 4, product inquiries to be collected as part of the 2007 Economic Census will include the broad headings of “management consulting and implementation services,” “other consulting services,” and “other services” provided by enterprises in the management consulting services line of business.

#### **6. National Accounts Concepts and Measurement Issues for Management Consultancy Related to GDP Measurement**

The 1993 System of National Accounts provides guidance on the definition and measurement issues for business activities related to management consultancy.

- 6.149. Intermediate consumption includes the value of all the goods or services used as inputs into ancillary activities such as purchasing, sales, marketing, accounting, data processing, transportation, storage, maintenance, security, etc. The goods and services consumed by these ancillary activities are not distinguished from those consumed by the principal (or secondary) activities of a producing establishment even though the levels at which ancillary activities are carried out do not usually vary proportionately with the level of the principal activity.
  
- 6.165. When an enterprise contracts an outside agency to undertake research and development, staff training, market research or similar activities on its behalf, the expenditures incurred by the enterprise are treated as purchases of services used for purposes of intermediate consumption.

The management consulting services industry is a producer of intermediate services. Basically none of the service output of this industry is sold in the form of final demand. Rather, the service of management consultants improves the efficiency of other kinds of business in producing final goods.

#### **7. Turnover/Output Data Method(s) and Criteria for Choosing Various Output Methods**

In the United States, the primary source of product data is the Economic Census performed for years ending in 2 and 7. Interim data is often available from annual sample surveys of business units but in less detail and of lower overall quality than the Economic Census. To determine the need for collecting product line data more frequently than every five years for a kind of business, it must be ascertained whether there is significant shifting of business conditions and operations within any given five year period that would be otherwise missed in the absence of data available from more frequent, annual surveys. To be sure, a quickly evolving industry requires more frequent measurement than once every five years. In fact, in today’s fast-changing world, measuring industries and product line outputs only once every five years runs the risk of missing the birth and death of certain entire industries and product lines.



Moreover, to obtain the level of product line detail (and, often, of selected industry level detail) required as input to the national accounts, the use of secondary source data from the administrative records of other federal agencies for producing establishments is not feasible in the United States. This is due to bureaucratic barriers related to data sharing that are not likely to be overcome in the foreseeable future.

In the United States, the measurement of NAICS 54161 is further broken down by additional industry detail. Because of the availability of this high degree of industry detail in the form of five U.S. level 6-digit NAICS industries for NAICS 54161 (as had been illustrated in Table 1), the need to collect additional product line detail for this industry is minimized. However, it is necessary for the Census Bureau to directly collect data from U.S. businesses in order to produce the industry detail required by the national accounts. This situation, necessitating direct data collection from businesses by the Census Bureau, arises because the industry breakout data at the U.S. 6-digit level is not available from the administrative records of other federal agencies.

#### **8. Evaluation of Comparability of Turnover/Output Data with Price Index Practices**

The U.S. PPI program currently has a paucity of data for deflating the turnover data by industry and product for management consulting services. The only current published PPI data for this industry as taken from the PPI Detailed Report, Data for May 2006 from the U.S. Department of Labor, Bureau of Labor Statistics is as follows:

541619	Retained executive recruiting
541619-P	Primary services
541619-5	Retained executive recruiting

This data was originally sampled and collected as part of Standard Industrial Classification (SIC) 7361, Employment Agencies, and was separated into its own unofficial industry when the PPI program converted all the industry data from SIC to NAICS. Note, in fact, that consistent with the 2007 NAICS revision, that retained executive recruiting, the only component previously priced at all for the management consultancy industry as shown above, actually will be moved out of NAICS 54161 and into NAICS 5613, "Employment Services."

However, this rather bleak looking situation will greatly improve with the advent of the Bureau of Labor Statistics' proposed publication goals for NAICS 54161 shown below. This structure is based on the 2002 NAICS data and will change when the PPI program converts from the 2002 NAICS to 2007 NAICS. To develop a price index for management consulting, the structure proposed by the Bureau of Labor Statistics for NAICS 54161 is as follows:

#### **PUBLICATION GOALS Producer Price Index Revision**

Publication Title Listing  
 Industry Group Code/Cycle Code 541610A1  
 (Source: Proposed Publication Goals for NAICS 54161, Producer Price  
 Index, U.S. Bureau of Labor Statistics)

<u>PPI Code</u>	<u>PPI Title</u>
541610	Management consulting services
541610P	Primary services
5416101	Administrative and management consulting services
5416102	Human resources and executive search consulting services
54161021	Executive search consulting services
54161022	All other human resources consulting services
5416103	Marketing consulting services
5416104	Process, physical distribution, and logistics consulting services
5416105	Other management consulting services
541610SM	Other receipts

The goal of measuring the real output of management consulting services, of course, is the deflation of nominal expenditures on management consulting services. The U.S. Census Bureau and the Bureau of Economic Analysis (national accounts) worked closely with price practitioners at the Bureau of Labor Statistics to determine 2007 Economic Census industry detail and product lines. Moreover, based on what will be collected in the 2007 Economic Census, the Bureau of Labor Statistics plans to expand its structure for the 54161 area, beginning in 2007. Therefore, based on industry and product line plans by the Census Bureau for the 2007 Economic Census, coupled with plans by the Bureau of Labor Statistics for their proposed publication program, the management consultancy industry should be very well measured in terms of both turnover by product and by price in the U.S. by the year 2009.

## 9. Summary

Beginning in 2007, U.S. statistics on management consultancy should be in direct alignment for turnover/output and prices. Due to the great degree of data granularity available for this area, additional turnover by product detail is not required for NAICS 54161, "Management Consulting Services." Specifically, for 2002 NAICS and forward, Industry 54161 has been subdivided in to five 6-digit industries, providing U.S. detail for Administrative Management and General Management Consulting Services; Human Resources Consulting Services; Marketing Consulting Services; Process, Physical Distribution, and Logistics Consulting Services; and Other Management Consulting Services. With the release of data from the 2007 Economic Census, in 2009, there should be a virtual direct alignment of very detailed data on turnover by product and prices for management consultancy in the U.S.