



## Improving the value proposition of environmental consultancy

The first Environment Analyst Business Leaders' Forum meeting of 2020 saw animated discussion around three interrelated themes of digital disruption, value proposition and the future environmental consultant

Environment Analyst hosted our first Business Leaders' Forum (BLF) meeting of the year in London in February. Around 20 senior managers from across the environmental services sector met to debate how to secure and communicate the long-term value of environmental consultancy and the role digital innovation will play.

[The event took place prior to COVID-19 emerging as the primary, short-term management challenge for environmental consultancies and their clients.]

### Digital opportunities and threats

**Untapped potential:** One problem is 'digital' is like the word 'sustainability' - it means completely different things to different people. At the moment, true digital innovation is often limited to relatively small scale, project-led technological solutions - which may provide great promotional material, but are few and far between and provide limited business benefits. Instead the holy grail to consultants is to successfully digitise core services, not fringe solutions. Some are trying to do it inhouse, others are partnering, investing in start-ups (which can be later brought in-house) or through acquisition or offshoring their tech hubs to try and keep ahead of the digital curve. But not all clients are on board yet and definitely not all overseas clients - it's a multi-pace revolution and dependent on client base.

**The real frontier:** In many ways it seems the ongoing movement of administration, productivity and account management systems among many of the firms represented in the BLF to secure cloud-based integrated platforms like Microsoft 365 and Oracle is getting business leaders more excited. This provides the potential to lift bottom lines by a few percentage points given raised efficiencies and help managers meet billability targets.

**Time is of the essence:** Business leaders are really feeling the pressure to deliver innovation now - but this comes at a significant cost to the business. There are genuine concerns that delays from consultants will allow other tech and software firms to enter the space.

**Big tech threat:** And there are some very big businesses ramping their interests here (Google, MicroSoft, IBM, etc); anything which involves repetitive tasks or that is system-based is vulnerable and ripe for digitisation or AI (take the transport survey/modelling business as an example, which has gone from 'man hours out on street' to almost entirely smart phone-based). But the need for human (expert) interpretation doesn't go away. AI could be seen as a both a threat and opportunity - AI could take systemised work like EMS, but leave increased time for the human 'expert & thinking' skills.

**Catch 22:** Most large firms have the capital to afford digital innovation, but their ability to innovate is often stifled by red tape, centrally-controlled systems and embedded working practices. Smaller firms meanwhile have the agility and freedom to innovate and change their systems, but may lack the budget to get a concept to critical mass. Larger firms must give their staff channels to pursue new ideas; smaller firms may need to partner to move from concept to reality.

**The value proposition:** Digital innovation and technology can certainly deliver projects more cheaply, so should this be costed proportionally? Consultancies will need to carefully consider pricing structures to allow them to recoup the costs of their upfront investments in R&D. No one wants a race to the bottom on pricing. Government tax-breaks for innovation can help. 'Costing' innovation to clients needs careful consideration.

**Lag effect:** An R&D/digital development team within a consultancy could develop a transformational way to innovate and automate processes. But everyone in the company needs to be able to use it (and the challenge here is also that not everyone are 'digital natives'). As such it is critical for IT and digital departments to engage those staff who work at the coalface and collaborate to create solutions.

**Big data is the big win:** Better, bigger data allows you to make quicker better informed decisions and be more active in the design phase with data presentation (e.g. digital EIA), but who ultimately owns the data afterwards or if/how it can be shared remain sticking points for the sector

## Improving the value proposition (or perception of value among EC clients)

**Environmental consciousness is at an all-time high, but fees are not yet close to other professions:** The climate, environmental and biodiversity considerations are the foremost challenges for major infrastructure developments such as Heathrow Expansion and HS2 and yet environmental consultants are not valued as other professions (lawyers, management consultants, etc), so how can we change the standard cost-based model or client value perception? We need to be more confident in communicating the value of the advice - and not by billable hours or days of work. However, the democratisation of environmental issues may be having a negative effect on EC value - now it has become fodder for everyday media discussion could this devalue our 'environmental expertise' even more so?

**Sharing the risks/rewards:** Identifying the risk profile is of utmost importance; for this to work you need to know your client well enough, and project managers need to be good enough that they are able to say no to the client or communicate changing costs (which requires quite an entirely different skills set, but is absolutely essential). Bad (centralised) procurement practice in some client organisations has also served to drive down prices.

**'Value-based pricing is what we all aspire to':** Advisory vs commoditised - we can do more of the former in the less competitive areas, but in the latter we perhaps are our own worst enemy with undercutting and cost-driven models. We need to stop undercutting, but the low barriers to entry mean there is always someone prepared to slash their price! We have the credibility so we should have the confidence to move towards value-based pricing.

**Communicating value through recognition:** We need better representation, a 'voice for the industry'. At present, the crop of professional bodies, institutes and official accreditations do not give the EC profession the leverage or gravitas it deserves. The Chartered Environmentalist (CEnv) qualification administered by SocEnv has little teeth in the market, although it can be an important baseline to win work in some sectors (SEPA pays more for chartered status). If the environment agencies were to tighten enforcement and raise fines for infringements this may help increase the value of our services in ensuring compliance. The environmental management and consulting [apprenticeship](#) scheme launched last year is definitely a step in the right direction.

**Leverage the industry's own tools to help 'reset' pricing:** Using the principles of natural/social capital and net gain for instance. Also carbon capitalisation and ROI, which are now really being pushed by the financial institutions. There is still some way to go but undoubtedly the money markets will sharpen the focus further through their primary drivers of cost, compliance and reputation/ESG. We need to be more courageous on value-based pricing in the long term.

## What does the future of environmental consultancy look like?

**The Big 4 are upping their game in this space and poaching some of our best people, does this show a glimpse of the future?** It wouldn't come as a surprise to see one of the management consultants make a serious play for one of our EC firms in the near future (equally we could expect one of the tech majors to do the same). The encroachment of the Big 4 could be a good thing in terms of the positive impact on fee rates. They are very good at 'snazzy toolkits, dashboards and analysis', but as they pick up work here they will need more of the technical skills and that is where they will struggle (or perhaps lose interest when they realise the margins aren't there)...and where we have the competitive advantage. Is 'advisory' a mythical place for environmental consultants or can we compete?

**Delivering to the C-suite:** We should be upping our game to compete with the Big four on a more even playing field and push up the value chain into the C-suite. Speaking with the CFO rather than the procurement manager (and there many CFOs out there now struggling with the new [SECR](#) requirements) should be our domain. We need to find 'comms-savvy' talent who can speak in a more influential and commercial way (and they are very rare in our sector presently). We need to get better at helping our staff respond to this shift towards being 'influencers' (as management consultants do with their people) - it's all about perception, mindset, culture and specialist training, but even more it's down to confidence. We need to equip our people to really know the clients and use management consulting techniques. Site-based surveying will not be part of the role in five years time thanks to automation and AI so we'll need to look at different ways of deploying our people.

**Kill-joy anti-corruption measures,** along with political correctness, prevent us from getting as close to clients as we did in the past. So we need to find new ways to form partnerships with our customers and stay close to them.

**Future solutions:** Will they revolve around the 'six capitals' (human, social, natural, financial, manufactured, intellectual)? By 2030 there will still be a depth of domain knowledge in the sector but it seems certain the technical people will need to be more strategic and take a less narrow 'stuck in their own discipline' or siloed view of the world. One of the strengths of EC profession is that we are integrators of many disciplines – or enablers.

**Environmentalists want to make a difference:** Increasingly our staff don't want to work on certain types of 'dirty' industry projects. Some junior staff in particular are really questioning our license to operate in some sectors such as fracking, but it can be hard for us as an industry to take a moral line that exceeds the government line. The future is probably to say no outright to more projects, or at the very least to question how can we do them better and in a way that is in line with net zero emissions goals.

**Becoming sustainability leaders:** Our own internal sustainability credentials will become a more important as a differentiator on which clients will want to partner with us, or otherwise. The [Pledge to Net Zero](#) initiative is a big step forward for the environmental services sector in this respect, with more than three dozen firms now signed up. [WSP](#) has pioneered an agreement with its creditors to lower interest rates on its borrowing if it archives specific sustainability performance targets. [COP26](#) in Glasgow (rescheduled for next year in light of the COVID-19 situation) is an opportunity for the UK more broadly to take a leadership stance.

---

We would like to extend our gratitude to **Wood** for hosting this event. Wood is a member of *Environment Analyst's Sustainability Delivery Group* - along with seven other consulting firms - which has a mission to help the sector showcase its capabilities and credentials, improve its value proposition and drive forward its leadership role in providing innovative solutions to mitigate the climate and biodiversity crisis.

**Sustainability Delivery Group members:**

