

The State of System Dynamics Consulting 2011 Survey



System Dynamics Society

July 2011

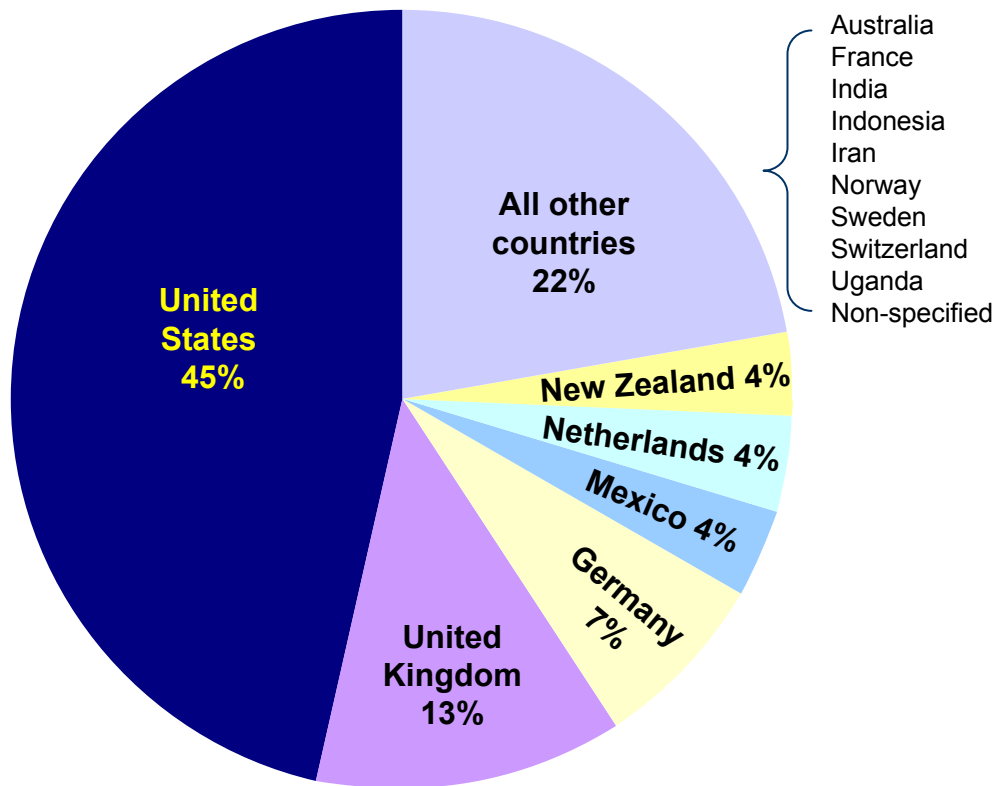
The State of System Dynamics Consulting... 2011 Survey

- How widespread is system dynamics use in consulting?
- What are the growth prospects?
- For what industries is the work done?
On what issues?
- What objections are heard?
- What benefits are seen?

Overview

- Survey of Society members conducted March 2011 to examine the “state of consulting” among SD practitioners.
- Requested response from those who consult using system dynamics (160 list “consulting/training/software” with the Society as their primary work category).
- Results reported here from 54 respondents who were paid, by a client or as part of their jobs, to conduct SD work during 2010.

Geography

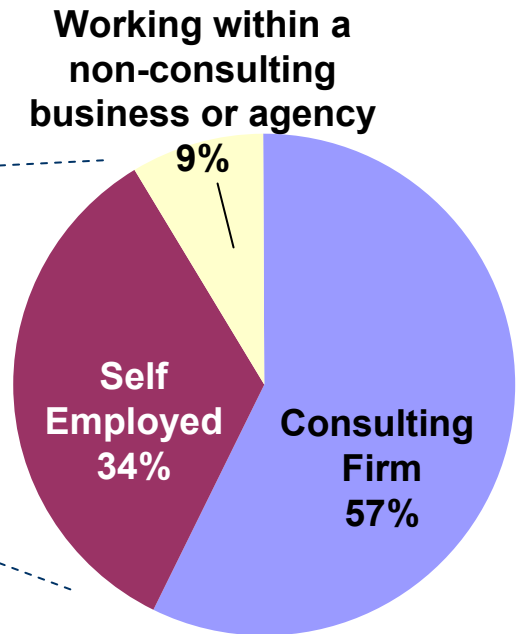
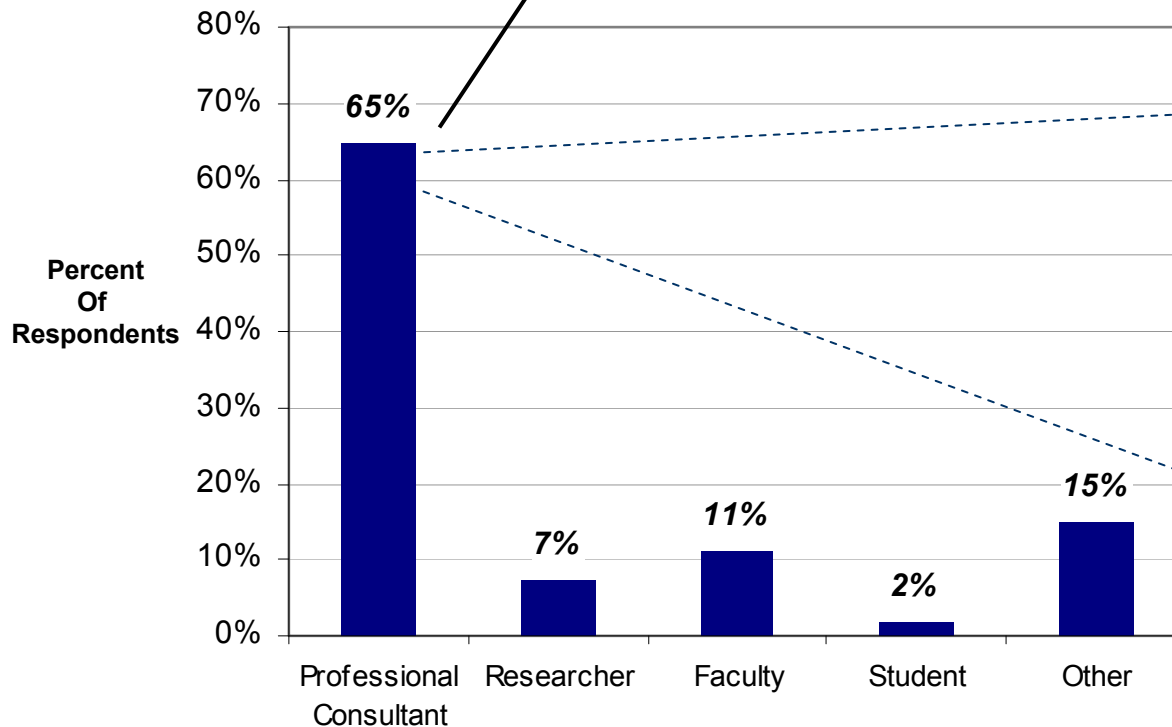


What is the country from which you primarily work?

...U.S. & U.K. represented over half of the respondents, with few/none from South America, Africa and Asia.

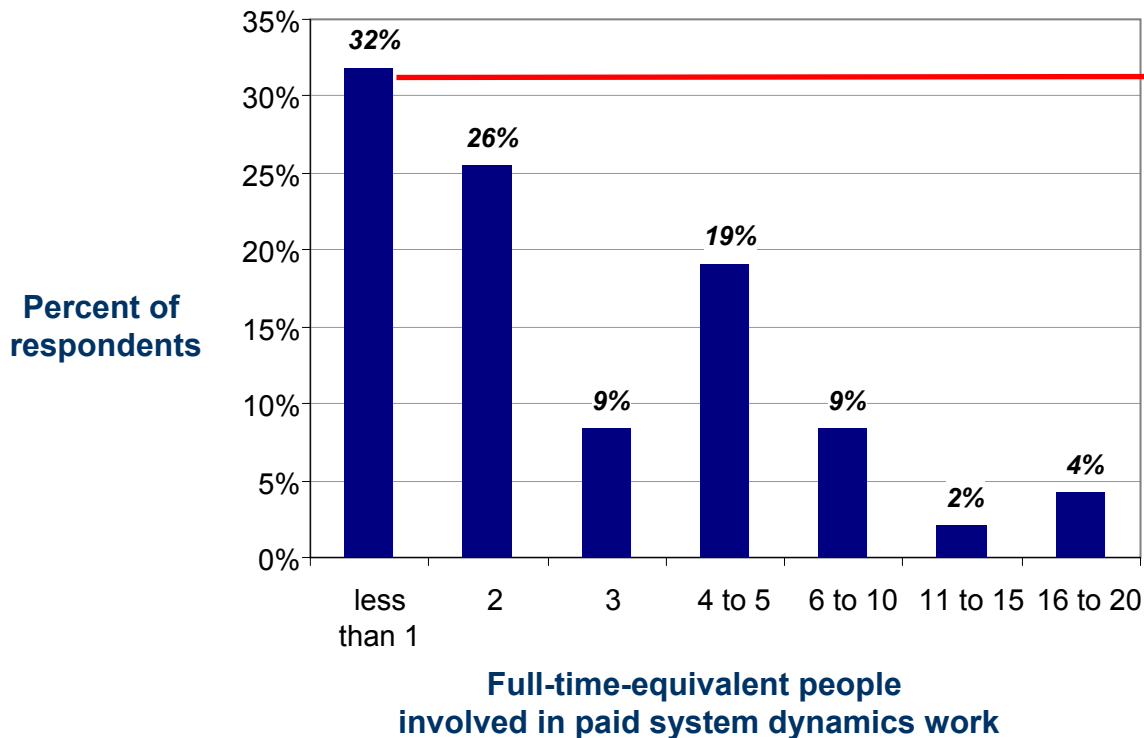
Work Status

Of all the respondents, 65% cited “professional consultant” as their primary status.



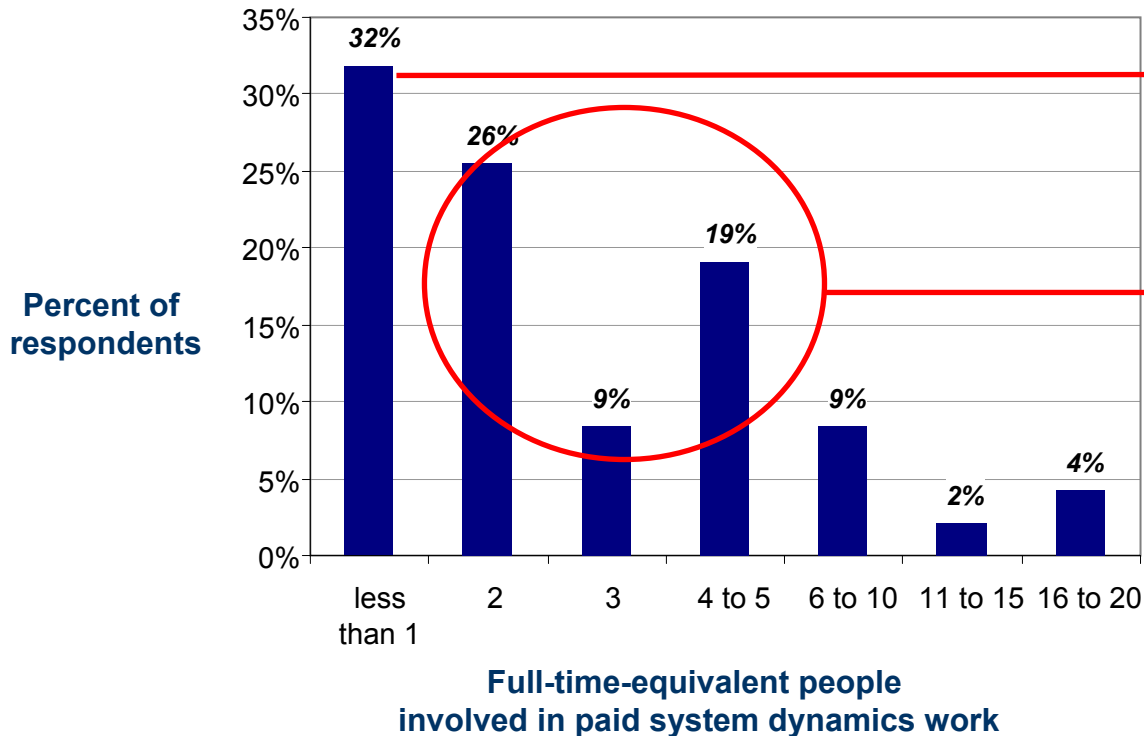
Of the professional consultants responding, over half currently work for a consulting firm, and one-third are self-employed. 9% work within a non-consulting business or agency.

Size of “SD Consulting” organizations



•About a third of respondents report “one or fewer full-time equivalents” work SD in their organization (same % as “self-employed”)

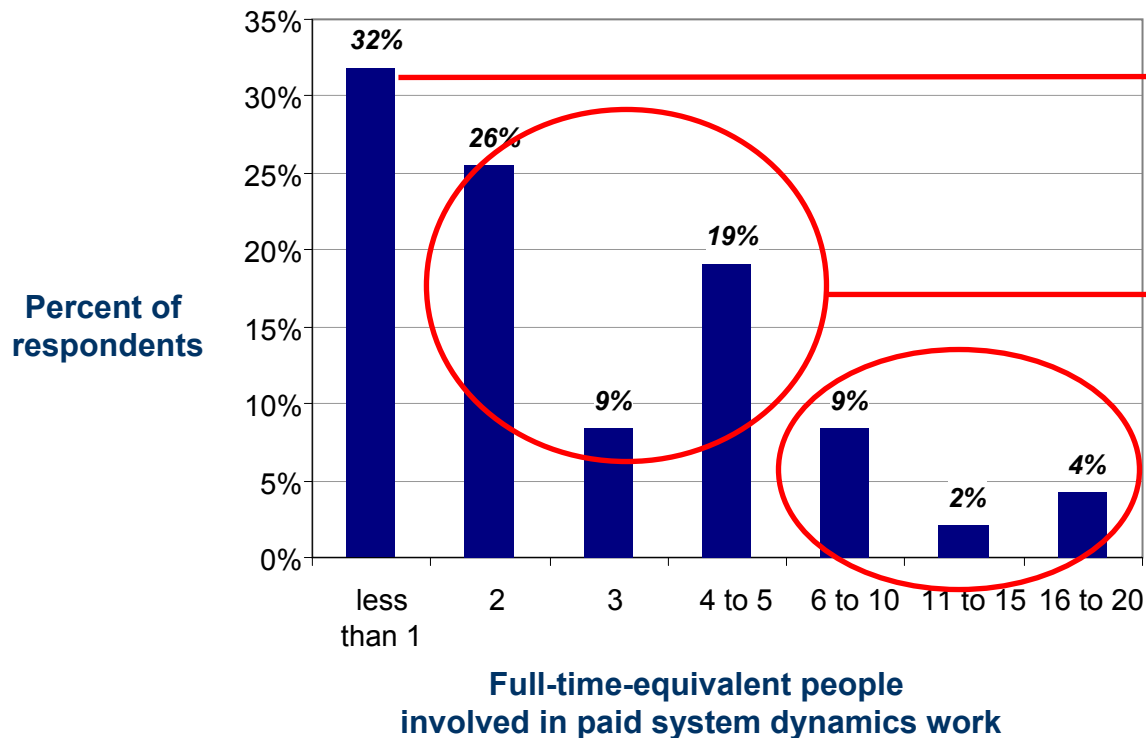
Size of “SD Consulting” organizations



•About a third of respondents report “one or fewer full-time equivalents” work SD in their organization (same % as “self-employed”)

•Over half work in 2-5 person SD groups

Size of “SD Consulting” organizations



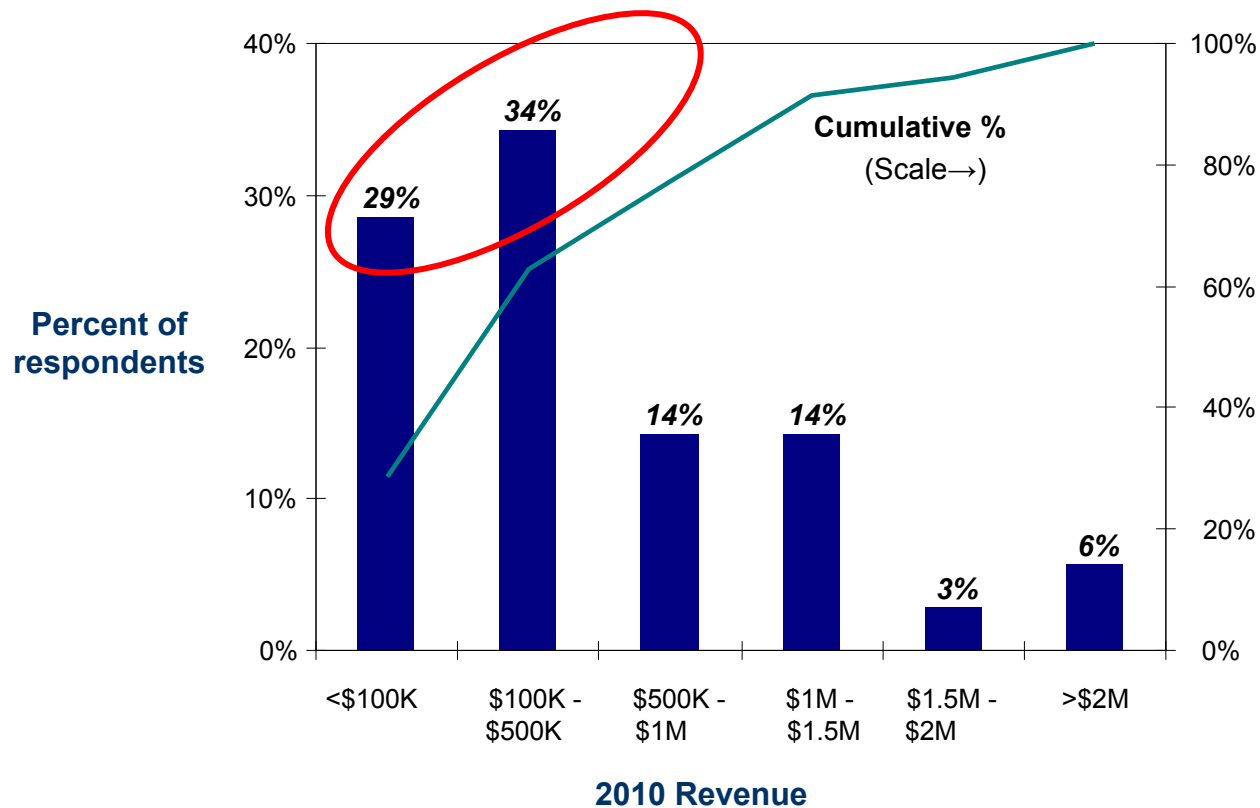
•About a third of respondents report “one or fewer full-time equivalents” work SD in their organization (same % as “self-employed”)

•Over half work in 2-5 person SD groups

•15% work in groups of 6-20 SD practitioners

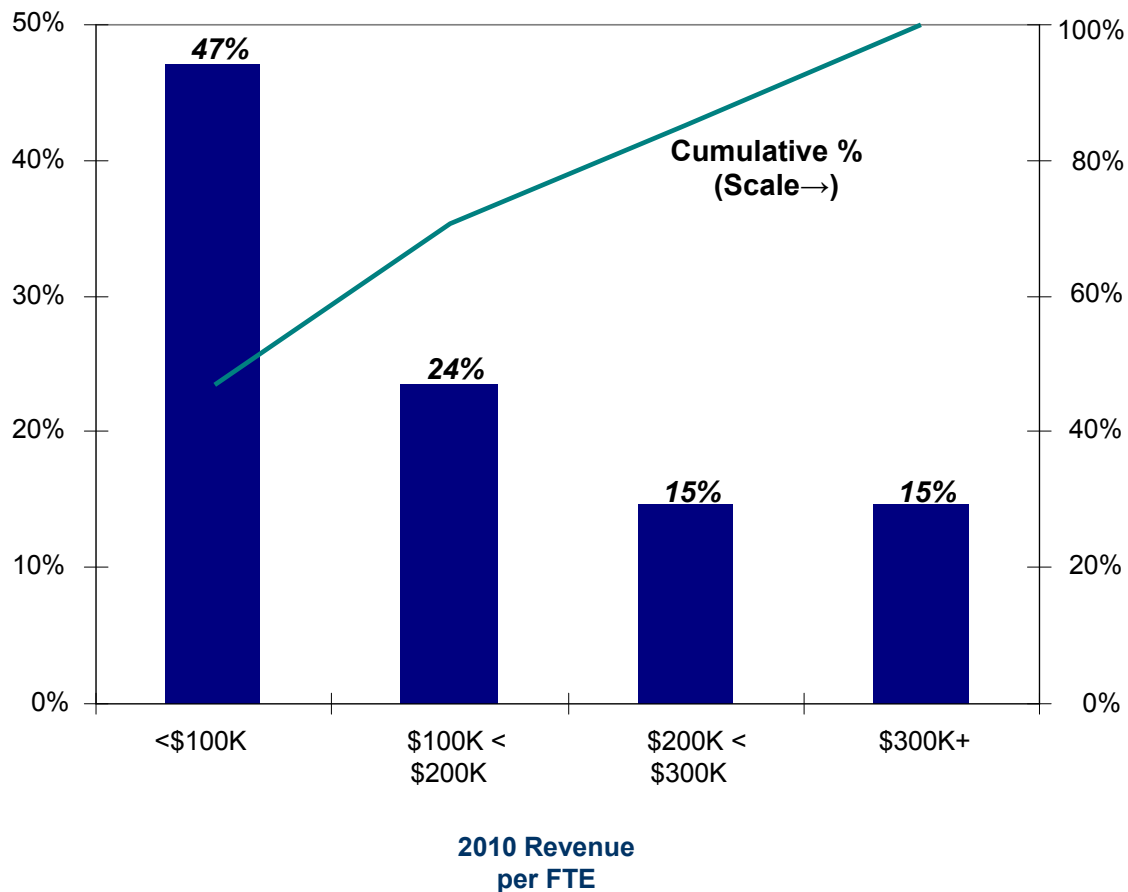
•This translates to over 160 FTEs in total

Revenues



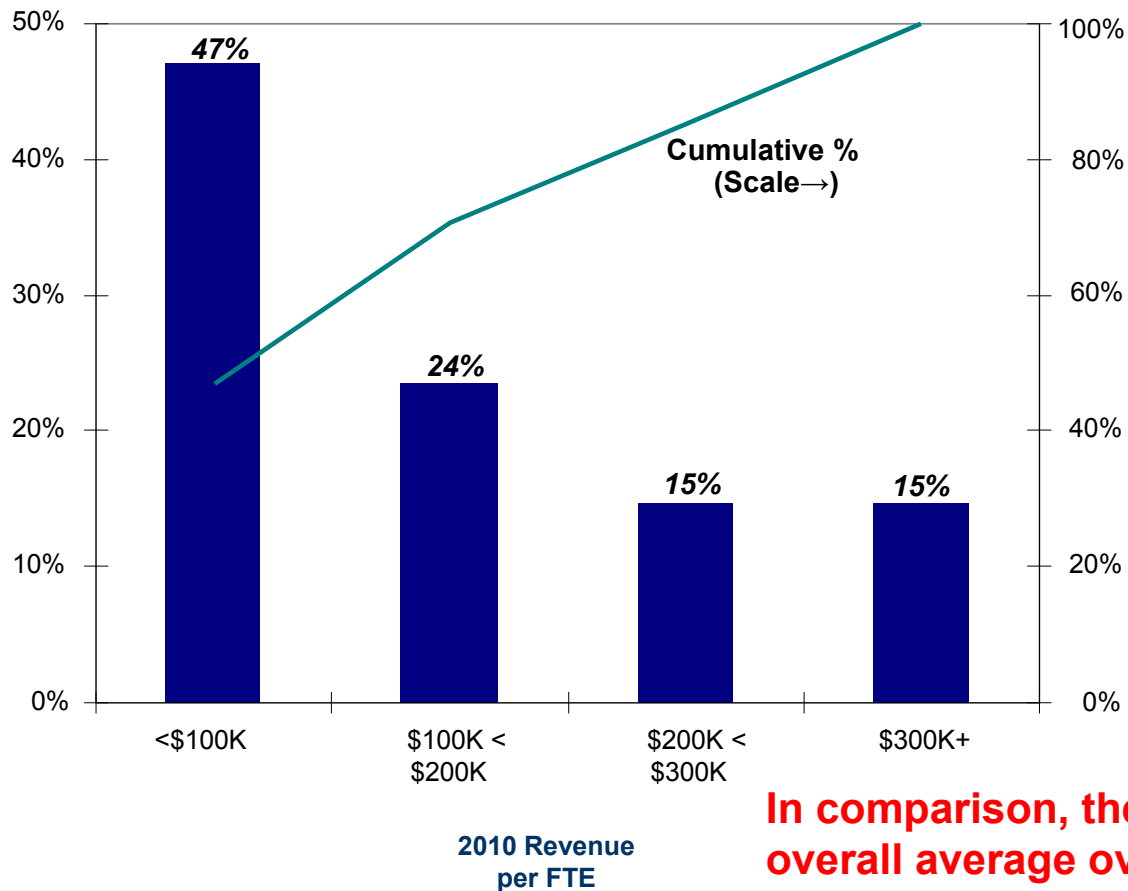
The majority of consulting reported (63%) is in SD operations that yield under \$500K/year (same is true for 45% of all US consulting firms---bizcompare.com).

Revenues per person



30% of the responding SD consulting operations generate over \$200K/FTE

Revenues per person



30% of the responding SD consulting operations generate over \$200K/FTE

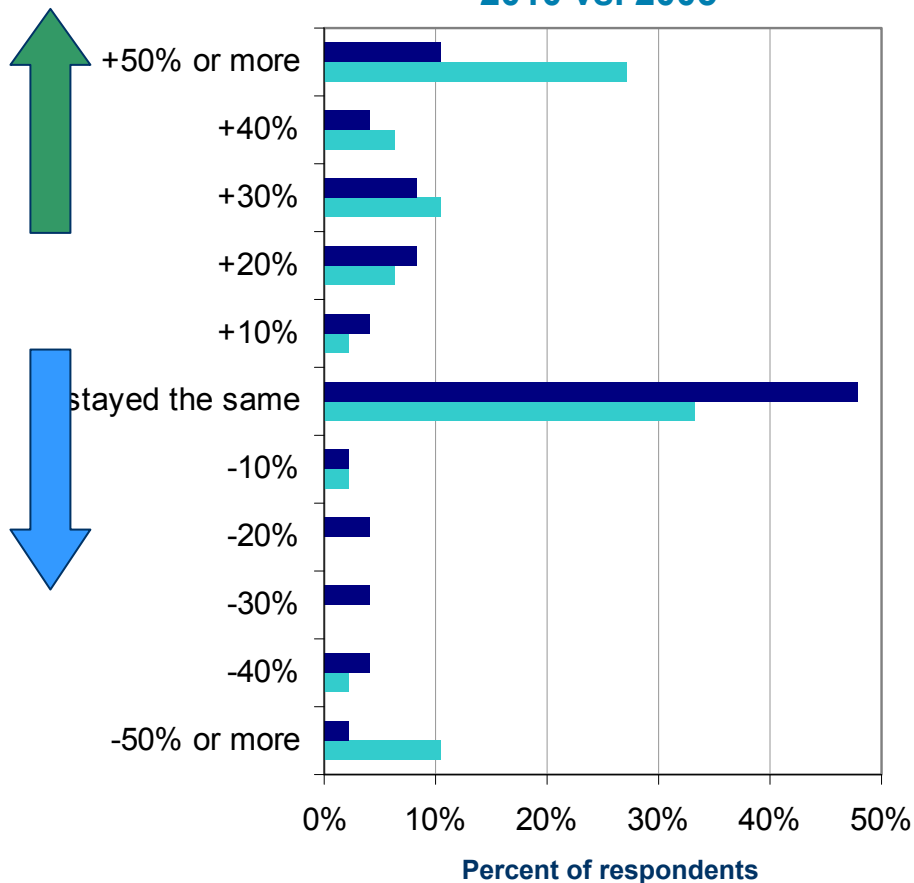
In comparison, the 10 largest consulting firms overall average over \$335K/consultant (\$395K for “strategy” firms)--2009, careers-in-business.com

Growth

Full-time-equivalent people

2010 vs. 2009

2010 vs. 2005

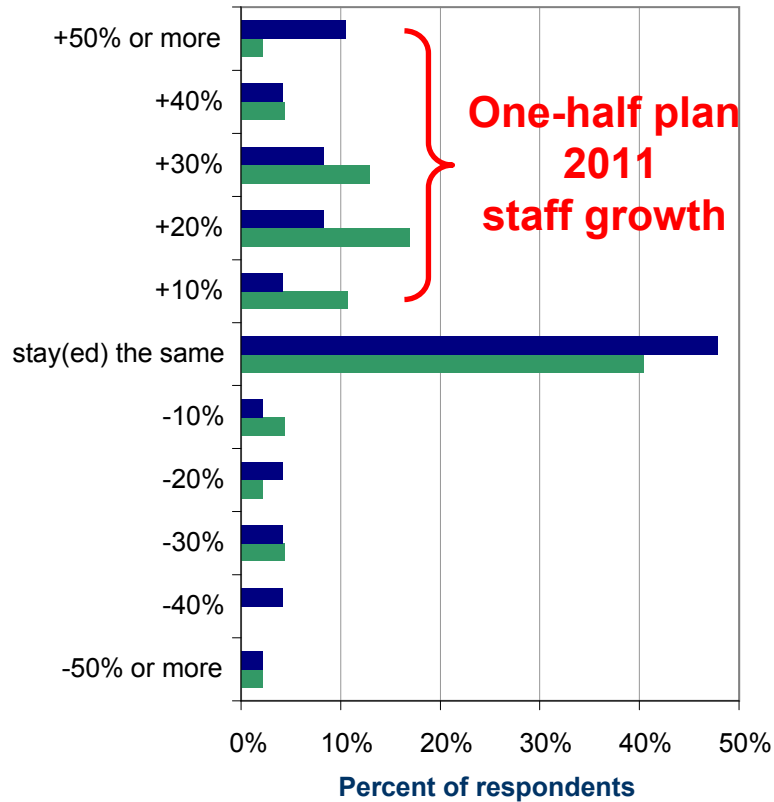


While 35% of respondents reported a 1-year increase (in both full time equivalent people and revenues), 50% reported growth over 5 years.

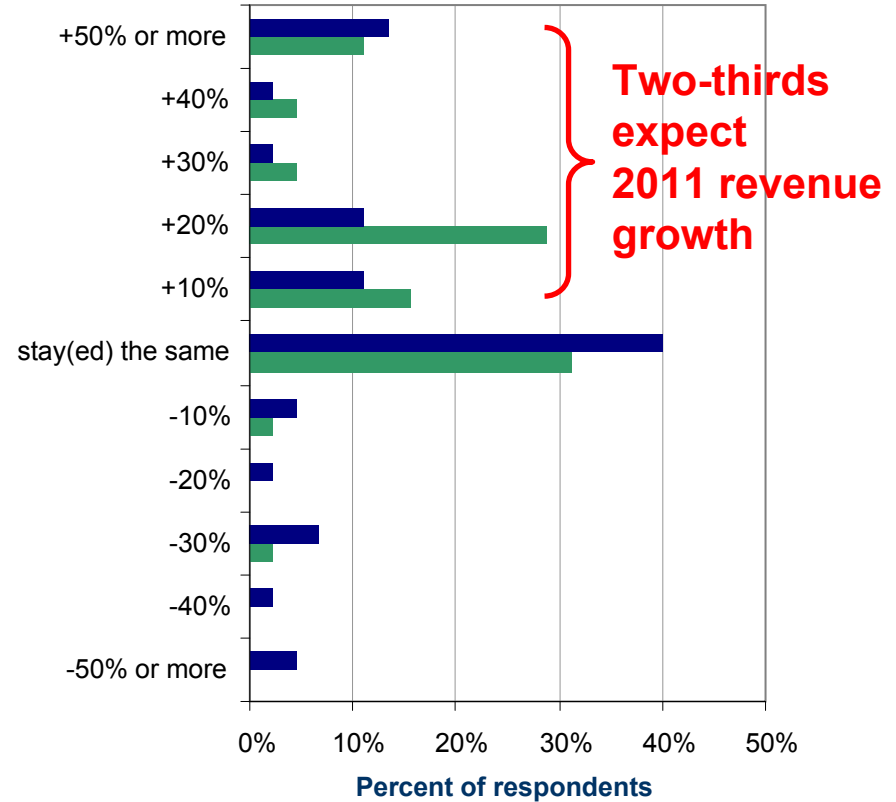
About 15% of the respondents experienced a decline over 1 year and 5 years.

Expectations: Employment and Revenues looking forward

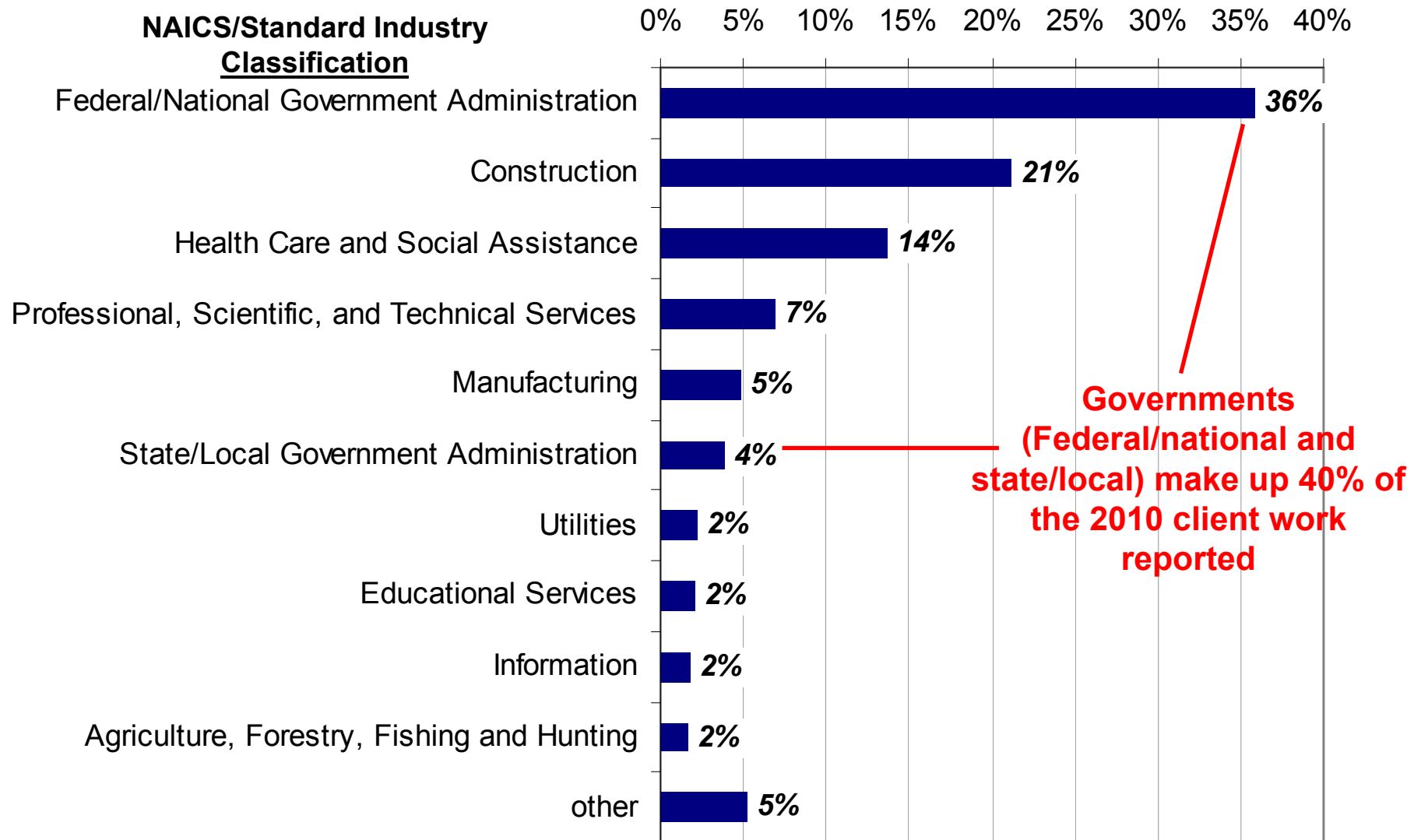
Full-time-equivalent people
2010 vs. 2009
2011 vs. 2010



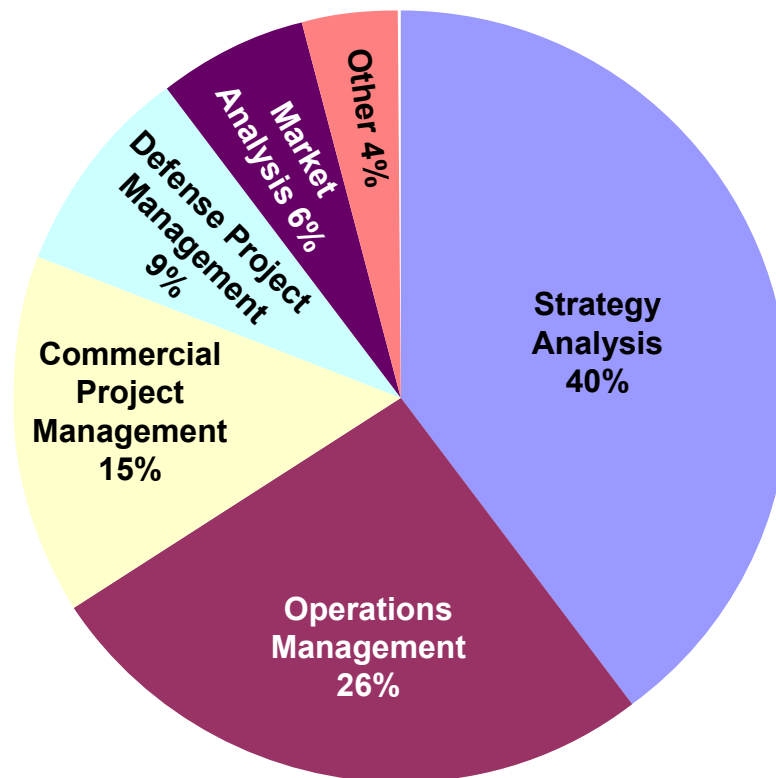
Revenue
2010 vs. 2009
2011 vs. 2010



Client Industries for System Dynamics Work...



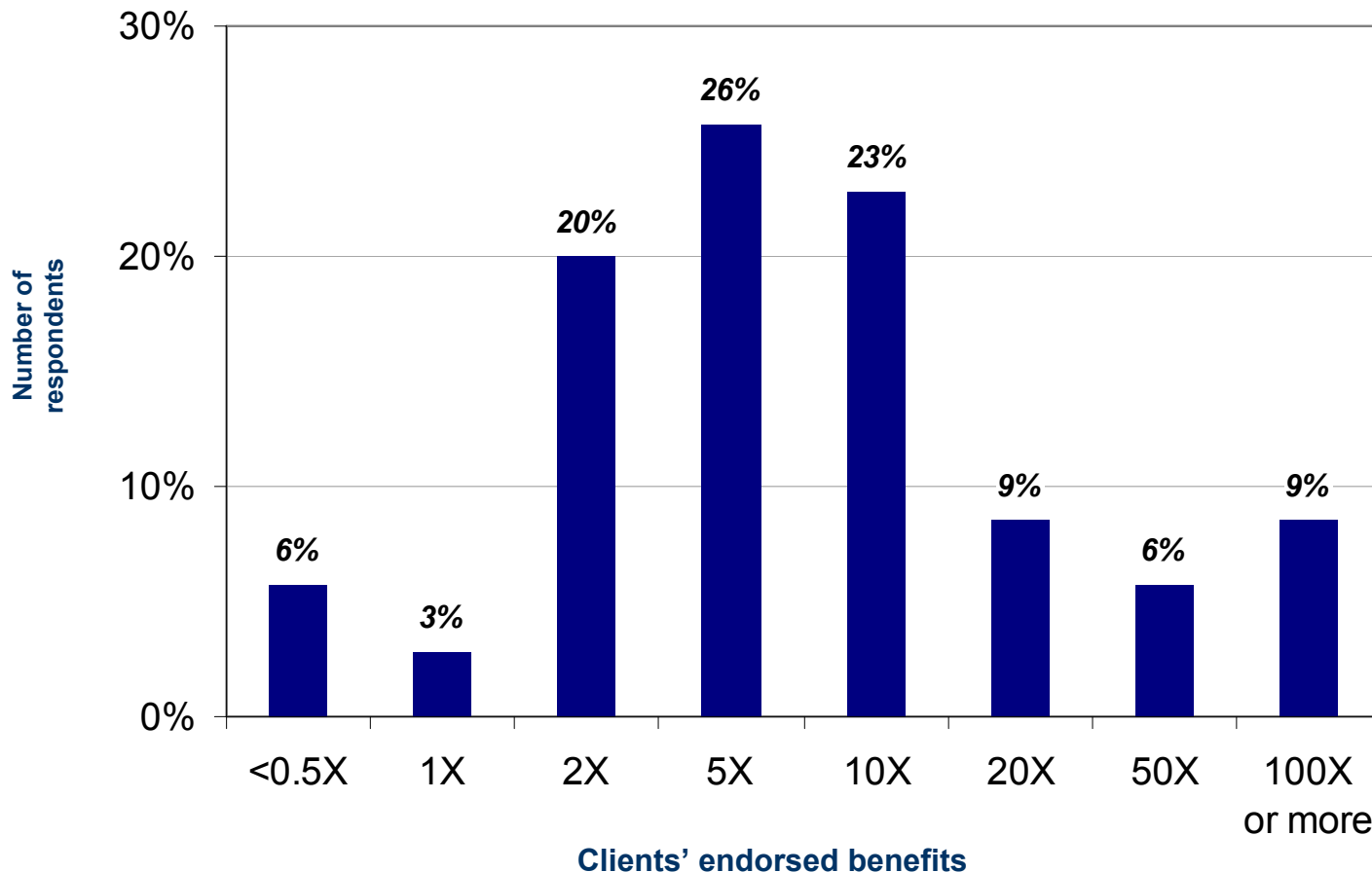
Categories of System Dynamics consulting...



- **Strategy analysis and operations management constitute ~two-thirds of reported work**
- **Commercial and defense project management represent ~a quarter of reported work**

Aggregate value of quantifiable benefits clients would endorse (relative to cost of work)

Over 90% of respondents said clients would estimate work value at or more than 2x the cost. (Almost one-quarter said 20x or more).



Client prospects' objections to system dynamics work

	<u>Points*</u>
• Unclear benefits	161
• New/untried method	151
• Cost	132
• Client time diversion	106
• Other	18

Despite the perceived large benefits relative to cost, “unclear benefits” was the top objection encountered (for this “new/untried method”).

*Respondents ranked 1-5. Here:: Rank 1= 5 points; Rank 2= 4 points; Rank 3= 3 points; Rank 4= 2 points; Rank 5= 1 point

Selling effectiveness for system dynamics work...

	<u>Points*</u>
• Client referral/repeat	321
• Colleague referrals	289
• Training/Education	210
• Publications	189
• Web presence	174
• System Dynamics Conference	125
• Advertising	72
• Other	37

Client and colleague referrals are seen as the most effective paths to selling SD work, by far.

*Respondents ranked. Here: Rank 1= 8 points; Rank 2= 7 points; Rank 3= 6 points; Rank 4= 5 points; Rank 5= 4 points; Rank 6= 3 points; Rank 7= 2 points; Rank 8= 1 point

Observations and Questions

- Modest responses from SD consulting professionals.
 - Do we care? (about % consultants? about responses?)
- One-third are solo practitioners (85% 5 or fewer).
 - Does team capability matter?
- Rates are well below consulting industry leaders.
 - Why?
- Significant consulting employment opportunity growth is expected.
 - Is this an attractor for the field?
- 40% of reported work is for governments.
 - Does this matter?
- “Unclear benefits” of this “new untried method” were the objections most cited.
 - How can we improve?
- This conference ranks sixth (of seven) as a channel for selling SD work.
 - Do we care?
- Your thoughts?
- What can/should the Society do?
- Side session to discuss

