

Pricing and people analytics at PSF consulting

Mihalis G. Markakis

Kalyan Talluri

Angelos Tsoukalas

Marie Bernard, the recently appointed CEO of PSF Consulting (PSF, short for Picard-Saunier-Fresneau, the surnames of its founders), was looking at the gentle flow of the Seine from a window of the firm's Paris office. Bernard was determined to make her mark on a firm that she had tirelessly served for more than two decades. While for most of her predecessors this might have meant relentless growth and expansion to new countries and industries—a need that she was certainly mindful of—her focus had turned inwards, to the firm's "inner workings." After all, if they advised other firms on productivity, efficiency, and innovation, they ought to have their house in order.

Two issues stood out to her from her tenure as Managing Director for Western Europe: the way the firm handled people planning (people being its principal resource and asset) and project bidding. While both functions were based on principles of transparency and consensus and did not seem to cause any problems, Bernard was keenly aware that these functions operated in a decoupled manner, even though common sense suggested that they ought to be closely coordinated. To Bernard, the current way of operating appeared to sacrifice productivity and profitability for the sake of simplicity, and did not leverage the vast amounts of data that the firm possessed on past engagements and clients.

As she prepared for the first face-to-face Executive Committee meeting in her new role, she wondered how to coalesce these ideas into a coherent initiative that would win over the firm's senior leadership, and how much to push in case she met resistance.

This case was prepared by Professor Mihalis G. Markakis, Kalyan Talluri, professor at Imperial College Business School and Angelos Tsoukalas, professor at Rotterdam School of Management. February 2024. Revised in September 2024.

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The firm

PSF was a management consulting firm with an international reach. Founded in Paris, France, in 1975 by Marçel Picard, originally as Picard & Company, it evolved to its final name some years later after Olivier Saunier and Jean Fresneau, US-based partners in an established management consulting firm, decided to join Picard to build a company that aspired to dominate the French market. They quickly realized that Southern and Eastern Europe held as much promise as more developed markets, such as France, Germany and the UK, and expanded into these areas over the subsequent years. PSF's growth closely followed that of the European economy and the expansion of the European Union during the 1980s and 1990s.

In the late 1990s, in line with the globalization trend of the time, PSF opened its first offices outside the European continent in Cape Town, Nairobi and Dubai. The early 2000s were a trying time for the firm, triggered by recession and political turmoil in its primary European market. During those years, its growth came almost exclusively from the Middle East and Africa. At the same time, the conviction of one of its senior partners in a case of insider trading with a major client attracted a significant amount of negative press to the firm. Fortunately, the high-growth post-financial crisis years saw PSF make up for "lost ground" in Europe, and continue its expansion outside of the continent. The COVID-19 pandemic, while dramatic at the humanitarian and social levels, proved an economic boon for the firm. By 2023, PSF had offices in most major cities in Europe, the Middle East and Africa.

PSF consulted for medium- and large-sized firms from a wide variety of sectors, such as agriculture, financial services and textiles (Africa); advanced electronics, automotive and logistics (Central Europe); e-commerce and health services (mostly in Northern Europe); construction, oil and gas, and telecommunications (Middle East); and education, retail and tourism (primarily in Southern Europe).

Organizational structure

Like most large consulting firms, PSF maintained a "matrix" organizational structure determined by office, industry sector, and functional area. Internally, the consulting projects that it undertook were classified into four functional areas:

- **Technology**, such as IT implementation, IT strategy, and big data and analytics;
- **Strategy**, such as business strategy, mergers and acquisitions, control and risk management, finance, and market research;
- **Operations**, such as supply chain management and procurement, sales and customer relationship management, lean management, and sustainability;
- **Organization**, such as change management and leadership.

Within each PSF office, there was an organizational hierarchy that placed Senior Partners at the top of the pyramid, followed by Junior Partners, Managers, Consultants, and Business Analysts. Associates at the partner and manager levels specialized in specific industry sectors and functional areas, whereas consultants and business analysts were pooled and assigned to diverse projects.

While there were variations between offices and over the years, the reference annual base salaries for the different associate levels at PSF were as shown in **Table 1**.



Table 1
PSF indicative salaries

| | Senior partner | Junior partner | Manager | Consultant | Business analyst |
|--------------------|----------------|----------------|----------|------------|------------------|
| Annual base salary | €400,000 | €280,000 | €190,000 | €120,000 | €50,000 |

Partners typically received healthy bonuses at the end of the year on top of their base salaries, which were proportional to the aggregate profitability that they brought to the firm (depending on the volumes and margins of the successful projects they led). This was determined by a compensation committee that followed established formulas set at the founding of the firm. It was standard practice to keep the annual bonuses of all partners private. Managers and consultants received performance-based bonuses at the end of the year that were capped at 40% of their base salaries. Business analysts did not receive bonuses.

PSF relied on its Executive Committee to set its strategic direction for the future. This senior leadership team included the firm's CEO and Managing Directors, one for each geographical region in which PSF operated. For coordination and dissemination of knowledge and best practices, PSF also had a Global Managing Director for each functional area, as well as for key industry sectors. Managing Directors were selected by the Executive Committee from the firm's corpus of Senior Partners. Bernard, who was a Senior Partner in PSF's Paris office, and earlier Managing Director for Western Europe, had been recently appointed to the position of CEO.

Human resource planning

Human Resource Planning (HRP) was a critical internal function for PSF, as it aimed to ensure that a firm's resources, Consultants, Managers, and Partners—its human capital—were utilized in the best possible way in client projects. HRP's objectives were, first, to prevent labor shortages, which were costly, either by delaying projects or causing the firm to lose bids due to a lack of resources, with significant financial and reputational risks; and second, to concurrently avoid excess labor and idling of highly skilled (and expensive) resources.

Typical in large firms, HRP was also tasked with matching the right employee to the right job and unlocking the potential of each employee to perform to their maximum capability. PSF's executive committee viewed HRP as strategically important given the nature of their business. After all, a consulting company was only as good as the quality of its personnel: if a company had the best associates and the best practices in place, it could mean the difference between the success or failure of a critical client project and, in turn, its reputation and ability to win future projects and charge a premium for its services.

HRP at PSF was also responsible for medium-term resourcing decisions, including analyzing the supply of the existing skill base, forecasting demand and trends for the short and medium terms, balancing projected demand with supply, and supporting organizational goals and pushes into strategic areas. Other HR functions were more tactical/operational in nature, such as staffing project proposals, something that was typically done in coordination with the partner(s) in charge.