



Catalant's 2023 Mid-Year Trends Report

What Catalant Platform Data Reveals
About Companies' Strategic Priorities

CATALANT

Introduction

As we analyze the tens of thousands of consulting projects that we've done with leading public and private companies, we often spot trends in our data that show up before you can read about them on the front cover of the Wall Street Journal.

Catalant connects highly-experienced independent consultants – like former MBB engagement leaders and Partners and Big 4 consultants – to thousands of organizations through our marketplace platform.

We work with 30% of the Fortune 500 to help them accelerate their most strategic priorities. In the private markets, we work with the leadership of the largest private equity and consulting firms and their respective portfolio companies and clients. Our top 10 private equity customers alone have well over \$2 trillion in AUM.

Proximity to executive-level leadership gets us a cross-sector bird's eye view into the top strategic priorities of many leading companies.

In this mid-year Trends Report, we're diving into five of the top trends we've seen in the first half of 2023:

- **Supply Chain:** Supply chain and operations focus has picked up as companies look for operating improvements and leverage
- **M&A Timing:** While corporate transformation activity has been mixed, some leading indicators suggest M&A will return in 2H
- **Generative AI:** Organizations are investing in understanding how Generative AI can drive their businesses
- **Traditional Consulting:** Pressure to get value from big consulting spend is leading organizations to think differently
- **Fractional/Interim Support:** Demand for skilled fractional and interim executives continues to rise



1

Supply chain expertise reaches a high point.

Operations leaders continue to be laser-focused on driving efficiency and cost optimization through a pressurized economic climate.

As we entered the post-Covid era, a stabilization in supply chains led to an associated reduction in Supply Chain projects on the Catalant platform.

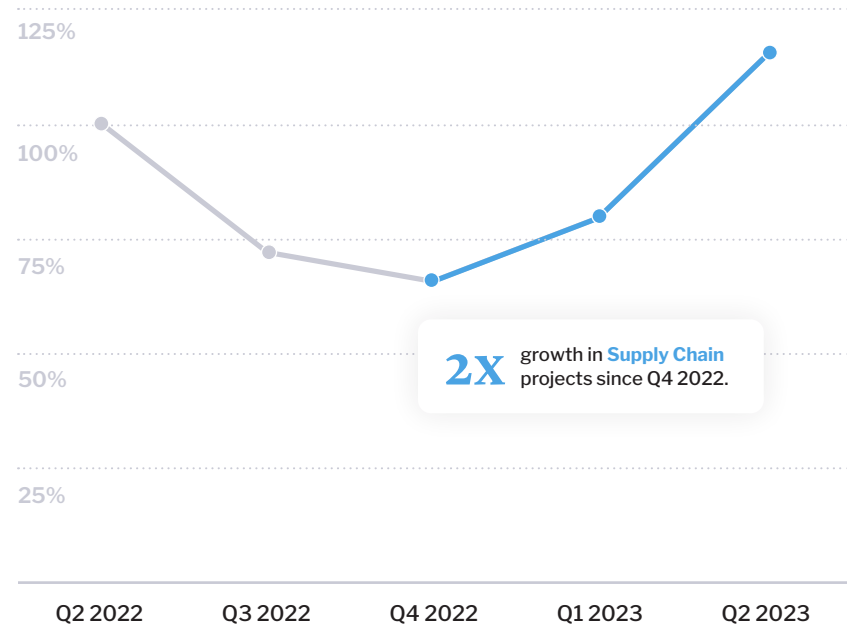
However, as the Fed continued to aggressively raise rates in the second half of 2022 and into 2023, we started to see the impact most strongly in supply chain and operations projects. In many organizations, supply chain management is a core area to improve operating expense. Supply Chain projects are now back to 114% of Q2 2022 levels, and nearly double those of Q4 2022.

Biggest needs in supply chain

Project demand has grown in strategic sourcing & procurement, as well as supply chain strategy and transformation. We're seeing spikes in projects around inventory reduction, S&OP, demand forecasting, enterprise controls, and change management.

Supply chain transformation projects experienced **210% growth** since Q2 2022.

Growth in Supply Chain Projects



Source: Growth in Supply Chain projects against Q2 2022 baseline measure, projects posted between 4/1/2022 and 6/30/2023.

Project Spotlights: Supply Chain

Supply Chain Transformation

Optimized DTC Supply Chain

Problem: A leader in innovation-driven specialty materials sought support to optimize their North America D2C supply chain. The client needed assistance in assessing ongoing initiatives, recommending course corrections, integrating roadmaps, supporting online integrated business planning (IBP) transformation, and embedding sustainability.

Action: The Expert assessed in-flight D2C initiatives, identified acceleration opportunities, recommended course corrections, and established project management and governance. He provided industry best practices for online IBP and developed sustainability integration recommendations.

Result: The Expert's support led to accelerated progress, improved fulfillment strategy, and a refined roadmap. His expertise in online IBP and sustainability contributed to enhanced supply chain performance and future-ready D2C operations for the client.

Financial Planning & Analysis

Optimized Inventory Management for Manufacturing Company

Problem: A PE-owned manufacturing company sought expertise in cost accounting and sales and operations planning. The company had trouble analyzing production and demand forecasts, specifically around open-to-buy decisions.

Action: Reporting directly to the CFO, the Expert, a skilled financial analyst, employed a comprehensive approach, understanding the company's goals, analyzing inventory management, and improving systems. He provided recommendations, conducted cost analysis, and implemented Excel-based solutions as well as open-to-buy targets and demand forecast analysis.

Result: The Expert successfully optimized inventory management, resulting in maximized profits, enhanced customer service, and improved cash outlays. His improvements in processes and analysis facilitated informed decision-making and alignment between production forecasts and customer demand.

[Explore More Projects](#) ➔

The Experts featured here are not tied to the projects shown, but are actively engaged in similar projects.



Stephanie L.

Former **KPMG Procurement** consultant with 15+ years advising cross-industry c-suite executives in supply chain and procurement. Stephanie and her firm specialize in end-to-end procurement services including strategic sourcing, contract management, vendor and category management, PMI, and program management.



Arsen P.

Former **MBB** consultant with deep experience in cost optimization and organization performance improvement for **Fortune 500** companies in CPG, telecom, and logistics. Arsen's recent work includes strategic sourcing and procurement advisory for a F100 manufacturing company.

2

Prediction: **M&A** to recover at the end of 2023.

When breaking down M&A activity into its component parts, we're able to track deal activity across two primary project categories:

- Early stage M&A market research
- Later stage due diligence on specific target acquisitions

After record-smashing highs in 2021, 2022 saw lower M&A deal activity. Amid recession fears and global turmoil, total deal volume further **plummeted 40%** between 1H22 and 2H22.

Things look a little brighter in the second half of 2023

After a decline through 2022, we've seen a boost in the exploration stage of M&A – projects related to market landscape, market mapping, and TAM are **72%** higher than Q4 2022's low point.

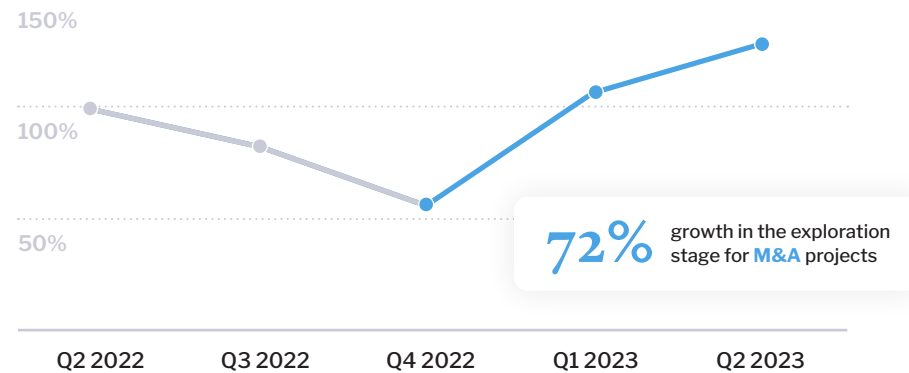
Due diligence is just beginning to awaken, with Q2 2023 projects coming **80%** of the way back to Q2 2022's baseline level.

Projects related to market landscape, market mapping, and TAM are **72%** higher than Q4 2022's low point.

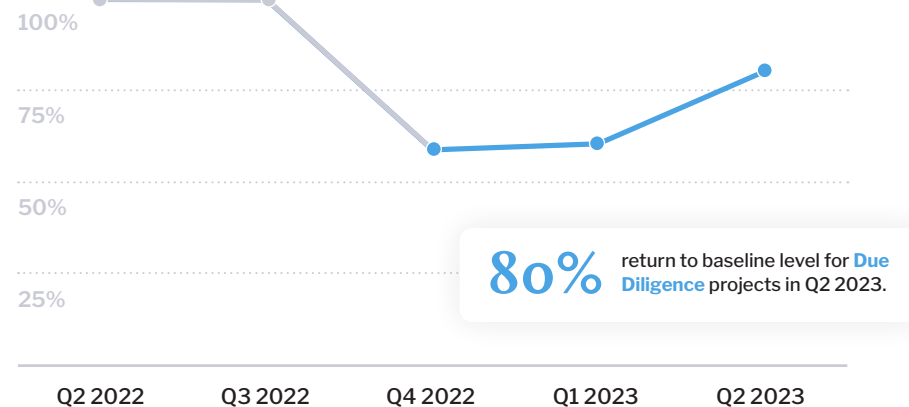
Source (top): Growth in Market Landscaping, Market Mapping, and TAM projects against Q2 2022 baseline measure, projects posted between 4/1/2022 and 6/30/2023.

Source (bottom): Growth in Due Diligence projects against Q2 2022 baseline measure, projects posted between 4/1/2022 and 6/30/2023.

Growth in Market Landscaping, Market Mapping, and TAM Projects



Growth in Due Diligence Projects



2


Prediction: **M&A** to recover at the end of 2023.

Anecdotally, we are hearing that corporates with strong balance sheets are looking to play offense with M&A to gain a competitive advantage, while private equity is just beginning to find value again.


Does this mean M&A might be making a comeback for the back half of 2023? Our data and research suggests so.

What do these projects look like?

Across the corporate transformation landscape, from acquisition to carve-out, the constant pressure of potential recession and hard to tame inflation leading to interest rate increases has kept the deal environment unpredictable. So what's the makeup of the deal activity taking place? According to industry analysts, these deals are:

 Smaller transactions

 Carve-outs

 Add-ons

 Growth equity

[Pitchbook](#) data reveals PE deals that are less reliant on financing, like add-ons and growth equity, continue to close at a pace that is higher than their long-term trends. Buyout and exit activity are stronger than historical trends, according to [Dealogic](#). And June activity points to an IPO pickup in the second half of the year, according to [Renaissance Capital](#). We've seen similar activity in work for carve-outs, small transactions, and divestitures.

... we are seeing a faster return to **M&A** projects from our corporate clients, while **private equity** and **consulting due diligence** is slower to recover.





Project Spotlights:

Mergers & Acquisitions

M&A Strategy / Market Landscape

Market Landscaping and Acquisition Screening for Growth Expansion

Problem: A large manufacturing company wanted to accelerate growth by acquisition, and needed to explore the market of software-based companies in adjacent and complementary industry verticals.

Action: The Expert, previously a C-suite executive with 20+ years experience in mergers & acquisitions, researched the market, created a long list of potential target companies, and then narrowed it down to a short list based on strategic fit, size, and possibility of transaction. He also created tear sheets for each potential target, enabling the company to understand each potential target and its associated characteristics.

Result: Within just two weeks, the Expert had quickly landscaped the market and the company was able to prioritize top acquisition targets based on his quick and comprehensive work.

Divestiture Project Management

Business Separation Project Manager

Problem: A multi-industrial corporation wanted to divest the remaining components of a business segment no longer considered part of their core. They needed an experienced business separation leader to assist with separation execution and stand-up activities related to the divestiture.

Action: The Expert, an experienced corporate strategy and business transformation leader and former senior manager at Deloitte, mobilized the team needed to support the program's execution and set up lines of communication across all functional workstreams. She then developed a roadmap and detailed separation action plans for each workstream.

Result: With an aggressive but clear and achievable roadmap, over 8 months, the corporation was able to successfully separate and stand up the business segment into a new entity, with minimal business disruption.

[Explore More Projects](#) ➔



Maks K.

Former **Bain & Co. Consultant**, Marine Corps Intelligence Officer, and founder of a boutique strategy consulting firm working in the U.S. and Germany. Maks and his team specialize in commercial due diligence and growth strategy, using best-in-class research methodologies to deliver actionable, data-driven recommendations.



Steven F.

Former **BCG** consultant, **JPMorgan M&A**, Head of Business Development for a robotics company sold to **Alphabet/Google**. Steven's recent projects include go-to-market strategy for a Fortune 10 retailer.

3 Generative AI impacts both clients and consultants.

Generative AI (genAI), the trend sweeping all corners of the world in the first half of 2023, is now on the minds of virtually every senior executive we work with.

It's a topic that is top of mind across the public and private markets (110 S&P 500 companies mentioned AI in Q1 earnings calls, according to [FactSet](#)). But there's still a lot of noise in the market, with some execs feeling like they're [drowning in AI](#).

What will come of the genAI frenzy? It's still too early to call.

According to [Bill Achtmeyer](#), partner to Catalant, Managing Director of Acropolis Advisors and the founder and leader of Parthenon through the EY acquisition, regulation should not wait or be stalled, because the "train has left the station," so to speak. New value streams will be, and are being, created – ones that would not be possible without AI. So to keep up, the message is clear: get on board, or get left behind.



Project Spotlight: Generative AI

The Need: A global PE firm was looking for a consultant to define, prototype, and deliver new generative AI capability at a non-technical portfolio company, with the hope to expand to additional portfolio companies.

The Expert: A technologist with over 20 years of experience building and leading technology programs, the Expert had deep prior expertise writing ML/AI models to solve problems and had been using generative AI as part of their daily workflow.

Generative AI impacts both clients and consultants.

GenAI on the Catalant platform

We're seeing an increase in supply of, and demand for, genAI expertise.

- On the project side, we're seeing early emergence of projects focused on research, helping companies understand the opportunities and risks of AI in their specific industries, and building prototype solutions.
- In the last six months, a surge of Experts with machine learning and AI backgrounds who have spent time with genAI models have joined the Catalant platform to offer their expertise.

AI as a tool for Independent Consultants

In a recent survey of Catalant Experts, we asked how much they use genAI in day-to-day business operations, and whether they are starting to see client requests of this specific expertise.

- All respondents reported using AI-based tools for business purposes. Some examples included ChatGPT, AutoGPT, Bard, and Midjourney.
- With its full potential yet untapped, many are using AI as a "co-pilot" to increase productivity in a number of ways.
- All Experts cited time savings as a benefit of use – on average, respondents reported being 20-35% more productive as a result of using genAI.

GenAI subject matter experts are flocking to Catalant to support our largest clients.

“We are not interested in a strategy report on genAI, we need someone who knows what they are doing and can **roll up their sleeves and help us implement.**”

— Vice President of a leading private equity firm

20-35% increase in productivity from using AI tools, as reported by independent consultants.

Generative AI impacts both clients and consultants.

Not overlooking the other side of the coin, our respondents were clear that they have reservations on the use of genAI. These concerns primarily centered on:

- Concerns around accuracy. Experts are spending time to verify and cross-reference genAI's outputs.
- Client data confidentiality is another primary concern, with Experts being aware to not feed confidential information into a large language model (LLM).

Lastly, to the question of how prevalent genAI conversations are with clients – consultants surveyed are split nearly down the middle. **45% of respondents said they're having conversations with clients about genAI projects. 55% said, "not yet."**

How are Catalant Experts leveraging AI?

A research arm

Summarizing insights, finding sources, getting industry insights, and accelerating secondary research.



A virtual assistant

Summarize ideas, pull insights from a large set of documents, review internal business documentation, find information sources.



A content partner

Jumpstart an idea or generate a first draft or a response draft.



A productivity co-pilot

With AI as an assistant, they get tasks done more quickly.



Tony K.

A successful serial entrepreneur and CEO with a passion for developing innovative products, Tony has deep experience in business strategy, R&D, product and software development, and raising capital. His firm builds AI software for mobile apps, IoT, and blockchain for start-ups to **Fortune 500** enterprises.



Seb C.

A global leader at the forefront of strategy, culture, and innovation, Seb was a former senior business transformation executive at **Capgemini Invent** and **Publicis**. Seb founded a strategy firm focused on digital innovation and emerging technologies from XR to gen AI.

4 **Unbundled consulting** is even more attractive with corporate budgets under scrutiny.

Companies are scrutinizing consulting spend like never before

As one of our clients put it, “For three years, cost was no object when it came to consulting spend. It was all about speed. Now, cost is a top consideration.” Indeed, we are consistently hearing from finance and strategy leaders that they have assessed professional service spend and do not believe they are getting the value they have paid for. This is especially true for work that requires on the ground execution and implementation.

Top consultants are leaving firms and becoming independent

In parallel, on the Catalant platform we have seen a tremendous uptick on the number of Partners, Project Leaders, Engagement Managers, and Directors leaving large firms and signing up on Catalant. While historically the best consultants – the ones who love doing the work and solving problems – typically leave a firm to take on operating roles, there are fewer of those roles available today. However, there is far more awareness of independent consulting as a viable career path, making it a very attractive option.

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4 **Unbundled consulting** is even more attractive with corporate budgets under scrutiny.

This context creates an opportunity to redefine how consulting works

For the first time in our 10 year history, our clients are proactively and consistently asking us to help them with alternatives to brand-name firms. What's driving the ask? For some, it's a desire to access former Partners or Engagement Managers who have done the work before and can deliver at a fraction of the price. In other cases, a desire to access flexible combinations of consulting and operating expertise so that execution-oriented work is informed by people who have "been there, done that," and know how to ensure a sustainable solution and achieve ROI.

Why companies are looking for more flexible consulting solutions

Cost pressure and a shift toward more operationally focused efforts in 2023 have driven companies to evaluate potential solutions with more scrutiny than ever. Our clients indicate that they believe the traditional solutions lack:

- Operational expertise
- Cost structure aligned to value
- Dynamic flexibility

Solutions like Catalant allow companies to build teams with both the Partner-level leadership a large firm specializes in, plus the deep expertise of individuals who have held operating roles, without the marked-up pyramid cost structure, and the ability to flex the team up or down to bring in incremental resources as needed.

Clients tell us the cost savings of working with Catalant, while getting a team of **senior-level consultants who have solved their problem before**, is what's driving them towards this choice.

If you want to learn more about how Catalant can help your company redefine consulting by delivering cost-effective, right-sized, flexible resources with operating expertise, **let's chat.** →

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Fractional and interim support are in high demand.

Catalant project data shows a significant increase in demand for skilled fractional and interim roles over the past year.

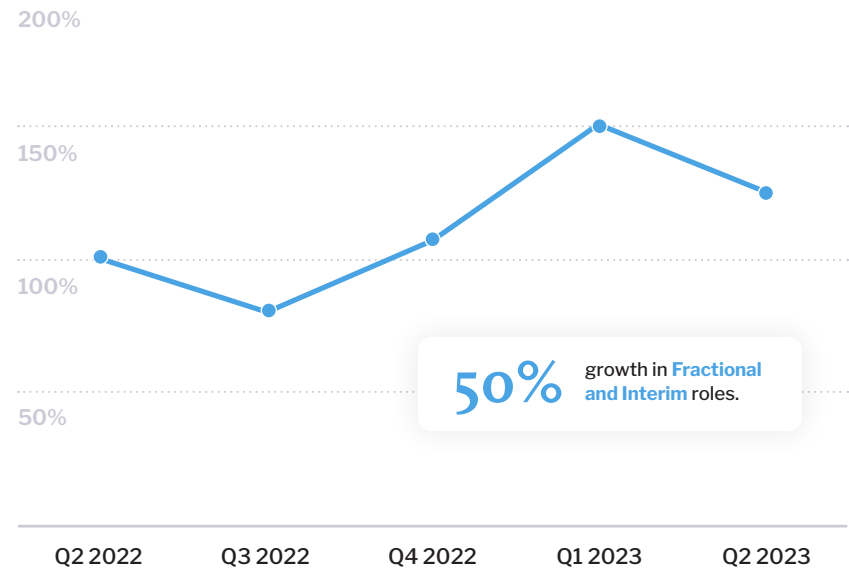
According to data from the [Bureau of Labor Statistics](#), temporary business management roles were up 18% from 2021 to 2022 and up 57% since 2020.

In the first half of this year, we've seen growth in these roles rise as high as 150% of Q2 2022's baseline levels.

It's likely that the hiring challenges of 2021 and early 2022 merging with the resource constraints of late 2022 are the driving factors behind this growth. Using fractional talent and interim support is a cost-effective solution.

... temporary business management roles were **up 18%** from 2021 to 2022 and up 57% since 2020.

Growth in Fractional and Interim Roles



Source: Growth in interim and fractional roles against Q2 2022 baseline measure, projects posted between 4/1/2022 and 6/30/2023.



Fractional and interim support are in high demand.

Where we see fractional and interim support needed most

When organizations want the experience of someone who has “been there, done that,” and want to avoid the burden of taking on an FTE, they turn to fractional and interim resources.

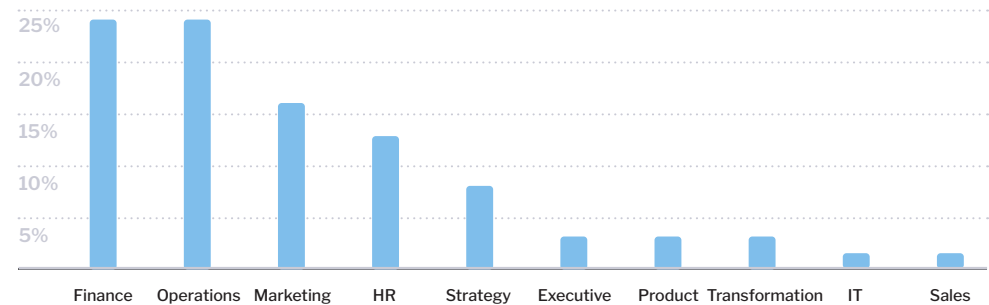
We often see the need for skilled fractional work in PE-backed companies doing turnaround transformational work, M&A, or capital raises.

Enterprises turn to skilled interim roles to fill FTE gaps while permanent placements are found, or to plug in an experienced leader to drive enterprise or functional transformations. More recently, we’ve also seen an increase in interim roles to cover for parental leave.

Are these always executive-level roles? No, we see demand for skilled interim and fractional roles across a wide range of functions and seniority levels, from Directors to C-suite executives.

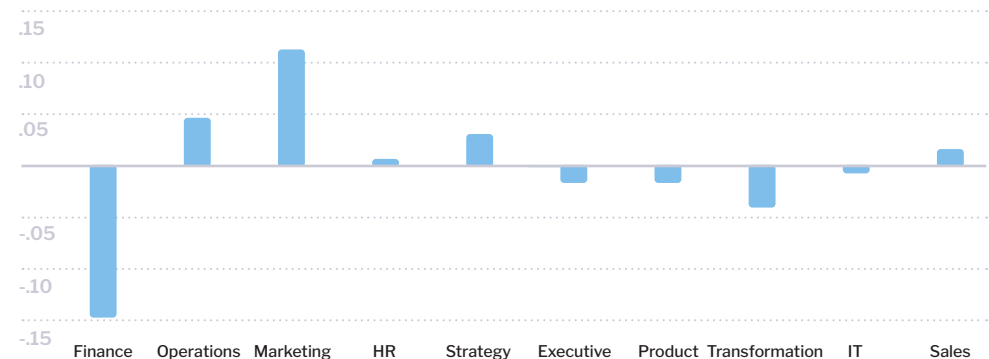
As we noted in [April 2023’s Insights Report](#), our analysis revealed that in volatile times, financial planning takes a primary role. Finance roles were the primary need through 2022. Now, in 1H 2023, we’ve seen a decrease in the need for finance roles, and an increase in demand for operations, marketing, HR, and strategy roles.

Fractional and Interim Roles: Share by Function Area, Year to Date



Source: Interim and fractional roles posted between 4/1/2022 and 6/30/2023.

Fractional and Interim Roles: Change in Share by Function Area, 2H 2022 to 1H 2023



Source: Interim and fractional roles posted between 4/1/2022 and 6/30/2023, change in share between periods.



Project Spotlights: Fractional & Interim

Interim Executive

Interim CFO and Controller Services

Problem: An industrial company with an aggressive M&A plan required support in the form of an Interim CFO or Super Controller. They sought someone with experience in small businesses, building monthly reporting and finance capabilities, and consolidating financials for multiple business units. Coming off of a recent transaction, the company was behind on regular reporting and lacked systems and processes to catch up.

Action: The Expert, a former Big 4 manager and senior leader with experience in portfolio leadership and post M&A integration, had been acting as an interim CFO and consulting for over a decade. He was able to act as both Interim CFO and Interim Controller for the client.

Result: During the five-month engagement, the Expert embedded himself in the business to focus on internal financial reporting, building processes and systems to meet reporting requirements.

Interim Director

Corporate Strategy Parental Leave Coverage

Problem: A large premium beverage company was seeking an Interim Director of Strategy and Insights to support the department VP and cover a team member's extended parental leave. The coverage included people management and direction, development of broad strategies, and leadership of the annual planning process.

Action: The Expert, a senior-level strategic advisor, had over a decade of experience advising executives on their highest priority strategic initiatives. He supported the annual planning process and other strategic initiatives and stayed on to overlap with the returning Director of Strategy to enable seamless continuity without work disruption.

Result: During the eight month engagement, the Expert provided guidance and support in corporate strategy, consumer insights, M&A, and people leadership. The company was able to continue with key initiatives without interruption, and the team member being covered was able to smoothly return into the position upon the end of their leave.

Explore More Projects →

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The Experts featured here are not tied to the projects shown, but are actively engaged in similar projects.



Gemma C.

20+ years leading marketing initiatives, developing strategy, and managing P&Ls, teams and departments. Gemma has recently operated as a Fractional **CMO** for a small retail company and an enterprise-level digital healthcare provider.



Sudip S.

Certified PMP with 15+ years experience in project and program management. Sudip's recent projects include Agile planning and strategy development for a retail IT team and delivering customized project management training.

Conclusion

Thousands of projects have been posted on Catalant's platform this year, from mid-market leaders, PE firms and their portfolio companies, and our Fortune 500 clients. A core sample reveals a rich view of the most important priorities facing leaders today.

External pressures remain, but signals suggest rebound may be on the horizon. Among the trends we see, here's what stands out the most:

- Supply chain transformations are underway as inventory reduction, S&OP, and demand forecasting become top of mind for operations executives.
- Leading indicators suggest M&A will return in 2H 2023, as signs of market exploration have increased and due diligence projects begin to awaken.
- AI continues to take the world by storm, and we see generative becoming a top priority across the board, on both the client and consultant sides.
- In cost-conscious economic environments, there is pressure to reduce spend on big consulting. As this big-ticket spend becomes more highly scrutinized, we see a trend emerging towards alternative solutions to perform operational and executional consulting work.
- In the same vein, organizations must find ways to remain productive and optimize resources. Leaning on the expertise of seasoned business professionals by embedding them into organizations is a way to mitigate risk against uncertainty, and one reason why we've seen an increase for interim and fractional executives over the year.

If you are focused on staying ahead, tools that give you first-mover's advantage are important. Catalant gives you access to 90,000 of the brightest minds in business to help tackle your most strategic work.

Contact Us Today To Learn More →

Top Five Themes

1 **Supply chain**
projects on the rise

2 Signs of **M&A** return

3 **Generative AI**
consulting on the rise

4 Pressure on **brand name**
consulting spend

5 Increase in **Interim/**
Fractional roles