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Consulting Indicator

By Murray Coleman - 1/25/2010

Orange County Business Journal Staff

Management consultants were among the first to feel the pain of the recession. Now some hope they're seeing the first wave of the rebound.

Consultants that help companies with accounting, technology, legal and other projects said they're seeing better conditions across the country, particularly with healthcare, manufacturing and private equity clients.

"Clients are loosening up their budgets in terms of what they're willing to spend to increase business and improve market share," said Donald Murray, chief executive of Irvine-based Resources Connection Inc., which provides accountants, lawyers and other professionals to companies on a project basis.

Some have looked to Resources Connection—the largest management consultant here with some 250 local employees and the only publicly traded one—for early signs of an economic turnaround.

Companies are expected to tap consultants before hiring full-time employees as they remain guarded about a fledgling economic recovery.

But a pickup has been slow to come for Resources, which for the three months through November posted an unexpected loss and lower revenue.

The company, which counts 85 of the 100 largest companies in the U.S. as clients, is seeing stronger demand along the East Coast, according to Murray.

"Business has picked up for us in different places, especially the metropolitan New York area where the big financial institutions are doing better these days," he said.

Resources Connection's outsourcing business has been a bright spot, according to Murray.

"Since we deal with a lot of multinational corporations, we're doing the same sort of projects requiring similar skills in different locations," he said. "In today's economy, they can't afford to keep all of the different types of professionals on their bench as they need to streamline operations worldwide."

Resources Connection recently expanded by acquiring Los Angeles-based crisis public relations firm Sitrick and Co. and restructuring consultant Brincko Associates Inc. of Riverside for \$43 million in cash and stock.

Ken Jones, executive managing director of Newport Beach-based Lyndon Group LLC, which provides financial and technology consultants, said "there was a bit of an awakening" among clients in the fourth quarter.

Companies that mothballed projects in 2008 and early 2009 started looking at them anew, according to Jones.

"Since October, we've started to see a noticeable bump in activity," he said. "We have seen a pop of activity continuing into January."

Another consultant, Irvine-based Profit Recovery Partners LLC, hasn't had to wait for a rebound.

The company, which doesn't disclose revenue, has seen business grow about 20% in the past year, according to Bill Carpou, a Profit Recovery vice president.

Profit Recovery develops, negotiates and manages different types of expenses for clients, from office supplies and telecommunications to shipping and payroll.

Profit Recovery has 75 workers. In the next 12 months, Carpou estimates it could top 100 people.

The company plans to move to a bigger headquarters within Irvine.

"We're doubling our space to about 28,000 square feet," Carpou said.

Profit Recovery works with companies of all types. Business with private equity and legal firms has shown the most growth, according to Carpou.

"We're actually increasing our portfolio of services as the type of client we're seeing is changing," he said.

Carpou said he sees Profit Recovery's growth continuing in a better economy.

"At the end of the day, no matter how long it takes the economy to finally turn, people are just more prudent these days," he said. "They're hungry for more information on how to run their business more effectively."

Still, consultants are hedging their bets.

"Even though we're seeing decent activity right now, we don't expect a fast recovery—it's going to take some time," Lyndon Group's Jones said. "Now that companies are lean and mean, they're starting to focus more on making sound business decisions. We're managing our business to that moderate growth scenario. Back-to-basics and remaining consistent seems to be the strategy for 2010."

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