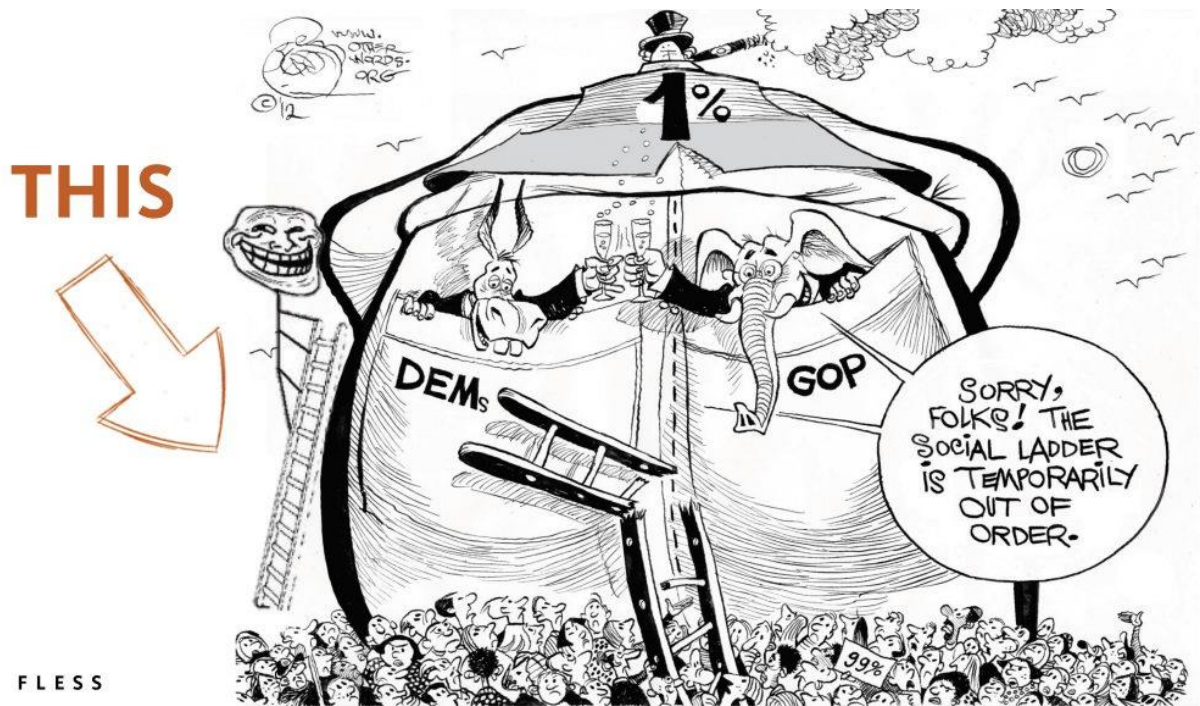


Former management consultants

What unites them is the career ladder each of them took at a certain point and which helped them tremendously to grow and become what they are now.



Stairway to career success

This ladder is management consulting. And in my post, I will explain

- how it came to where it is,
- how it is being disrupted and reinvented,
- and what skills you can develop now if you choose to become a management consultant in the future.

Let's start with

A Bit of History

This is Frederick Winslow Taylor, the father of management consulting.

1872

**Frederick
Winslow
Taylor**



F L E S S

Frederick Winslow Taylor

Originally it wasn't his intention to give birth to an industry. He was from a wealthy family and wanted to attend Harvard Law School, like all rich kids did.

But then he had serious problems with eyesight and had to drop college. Surprisingly, he went to work as a machinist at a huge plant. Now surprisingly, the plant belonged to friends of his family.

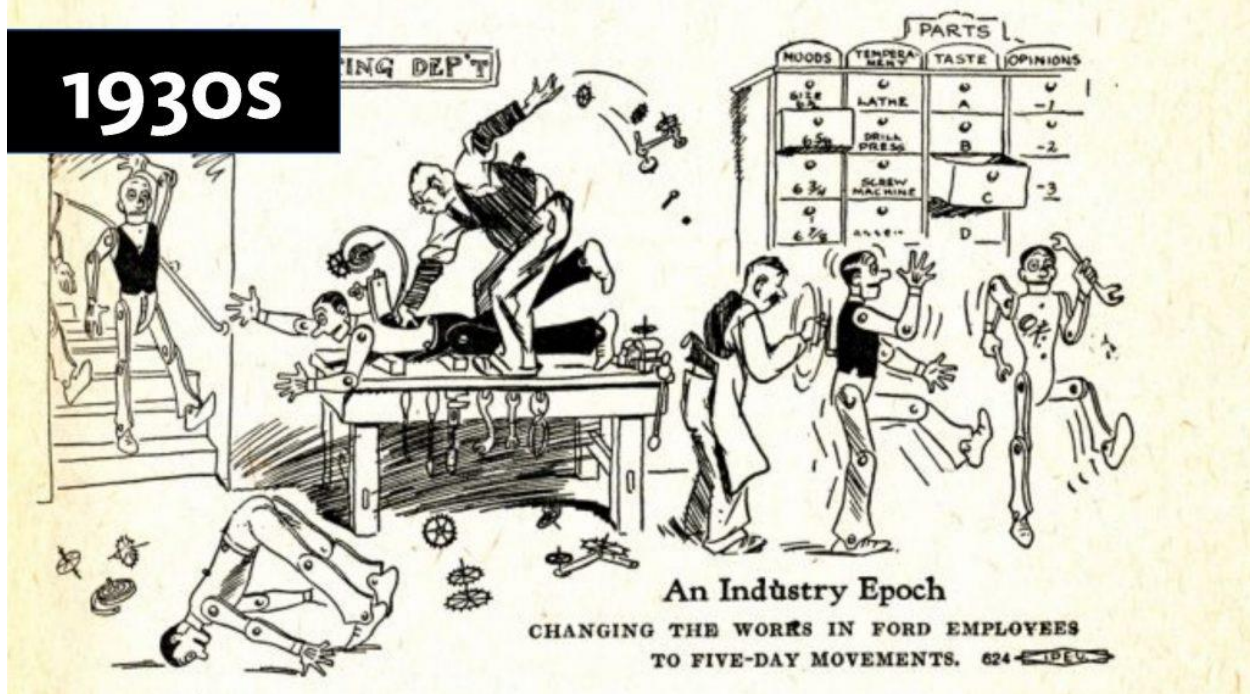
Perhaps that could be the end of the story, but it wasn't. Fred realized that many of his coworkers were quite unproductive, but no one had ever measured their productivity.



So he took a stopwatch, a notepad, and started to track his colleagues. Sounds like a creepy idea for teamwork, right?

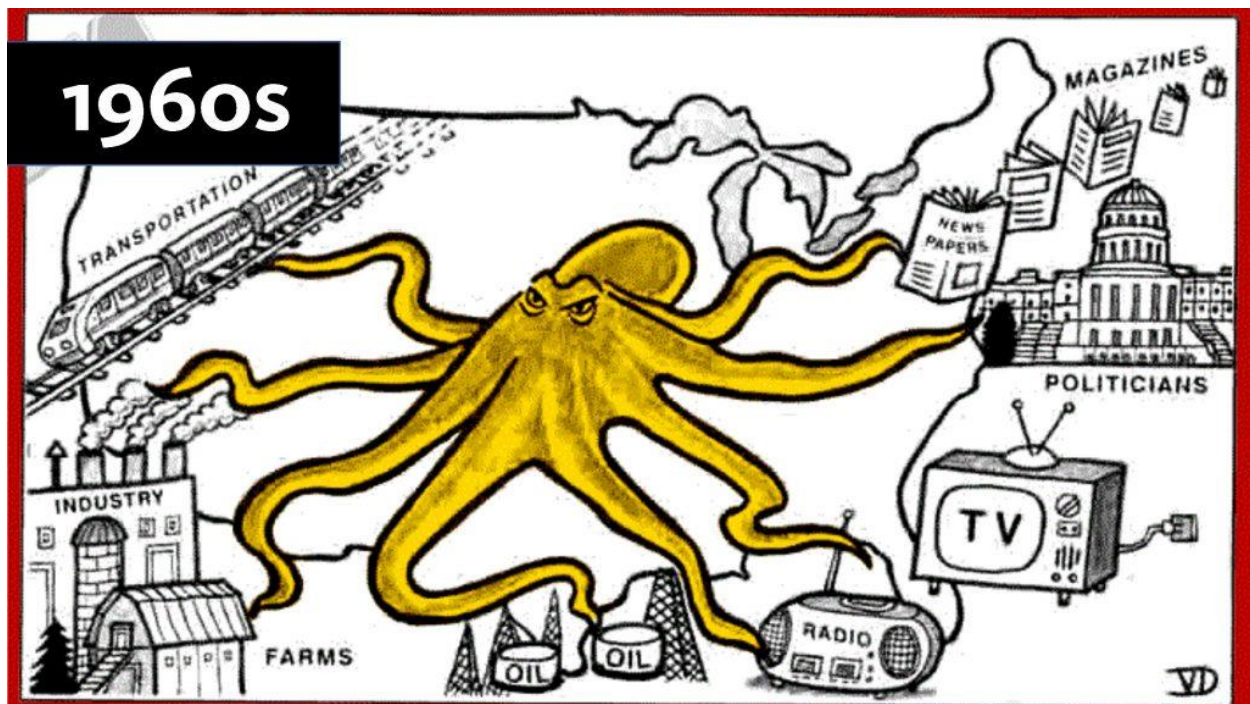
The idea might have ruined his relationship with colleagues, but created a new approach to business called scientific management. And the idea spread like wildfire in the early 20th century.

1930s



However, one idea is not enough to create a mighty social ladder. Up until the end of 1950s, there were a lot of engineering consulting companies, but the largest of them – Booz Allen made just about \$2M in revenue.

1960s



Conglomerates of the 1960s

1960s were the era of conglomerates. To rule such huge corporations, operational efficiency was not enough. You also needed strategic management.

Choosing the best strategy manager is tough though

- You do now have direct criteria who is best
 - It takes years to see the results
 - The results are affected by a gazillion of factors besides strategy decisions
- This is where social proof comes into play, and 3 companies leveraged it successfully.



BUSDEV BY SOCIAL PROOF



- McKinsey decided to become the most wanted company and started placing job ads in New York Times in order to boost applications and reject most of them.
- BCG, founded in 1963, acquired the smartest title by emphasizing in their Harvard Business School ads that they are hiring students in the top 5% of the class

- Bain, founded 10 years later, put a bet on being the most reliable consultancy, as they did not work with competitors of their clients and emphasized long-term involvement in clients' business.

Social proof factors worked wonders on the Big3. Clients were eager to hire young and bright consultants, the latter gained experience and hired yet another batch of young and bright people, and the virtuous circle went on.

That's the beginning of the career ladder.



F L E S S

Distinctive features of McKinsey, Bain, and BCG in 1980-90s
The Big3 didn't stop there of course. In 1980-90s, they gained still more popularity.

- BCG became the master of analytic frameworks, like the famous 2×2 matrix with cows, dogs, and stars.
- McKinsey made a successful effort to systematically build internal expertise across industries and business functions.

- Bain became the guru of implementation, proving that they sold business results, not just smart advice.

At the same time, corporations in pursuit of business efficiency got rid of many layers of middle managers. Career ladders in corporations broke down.

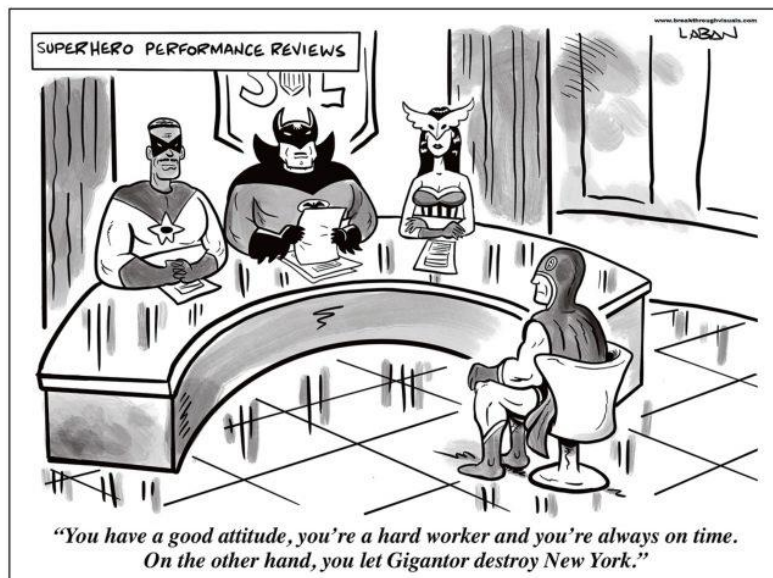
Guess who became the prime candidates for top management positions?.

And so the Big3 strategy consultancies came to be what they are – ideal early career paths for ambitious young people.

Now

- \$25B revenue
- 60K staff
- 1% job offer rate
- \$150K+ salary post-MBA
- Network

F L E S S



Superhero consultants

High selectivity in job offers, high salaries, valued experience and a huge network of clients and alumni all contribute to this image of professional success.

Now this career ladder is a darling of future politicians, tech leaders and business people, as well as of children of high net worth individuals.

Will it stay like this forever?

The example of law firms proves otherwise.

A Bit of Law

This example is due to Clayton Christensen, the late guru of business disruptions.

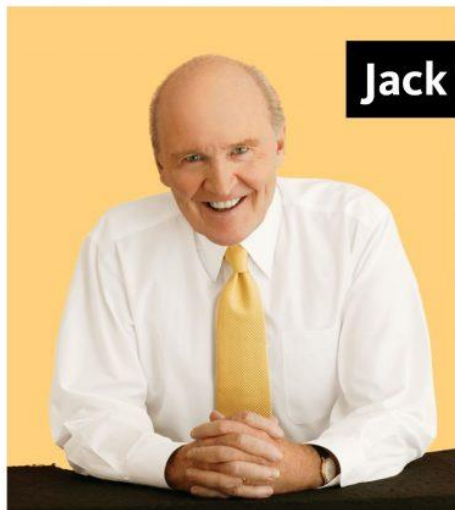
Up until the mid-80s, the law industry was the career ladder of choice for ambitious young people.

These two folks are lawyers, by the way.



The Clintons
Then a few things changed:

BRING 'EM IN



Jack Welch



Ben Heineman

F L E S S

The disruptors of the legal market

- These two people invented the general counsel role, bringing law advice in house. In just 30 years, the share of corporate law rose from 0 to 30% of the legal services market in the US.

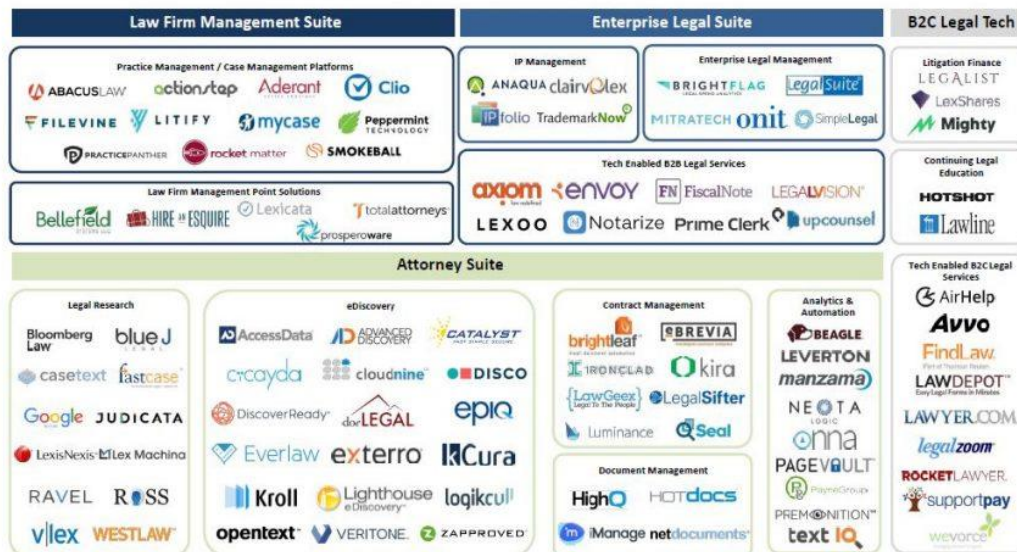
COUNT THEIR MONEY



Law firm ranking by financial performance

- Then comes the ranking of law firms by financial performance. Clients look at the data and realize they are overpaying.

UNBUNDLE THEIR PROPOSITION



F L E S S SOURCE: CATALYST

The tech disruptors

- Then come the tech startups offering specific legal services at a fraction of the law firm price tag.



Бизнес, 23 июл 2017, 18:19 | 504 401 | Поделиться

Герман Греф посоветовал юристам «забыть профессию»

Герман Греф посоветовал юристам, которые не разбираются в нейронных сетях, осваивать новые технологии. По его словам, с работой по подготовке исковых заявлений нейронные сети сейчас справляются лучше людей



AI v Lawyers

- Finally, let's welcome artificial intelligence on stage.

Of course the best law firms will still be in demand. But the demand is much smaller than what it used to be, and so is the number of people willing to become lawyers.

What does it have to do with management consulting?

Disruption

Let's look at the consulting value proposition in 5 stages:



Management consulting value chain

- Data collection
- Analysis
- Expertise
- Recommendations
- Implementation

Data Collection

Management consulting started in the world of scarce data, and consultants added value by creating them. For example, by counting foot traffic at malls.

DATA ALL AROUND



F L E S S

Data collection: then and now
The world is different now.

Clients are full of data about each business process from sales and supply chains to employee happiness and professional aspirations

Certain niche research companies like IMS Health became the standard for industry data.

Google became the primary weapon of management consultants. Of course, you do not have to be a management consultant to learn to google.

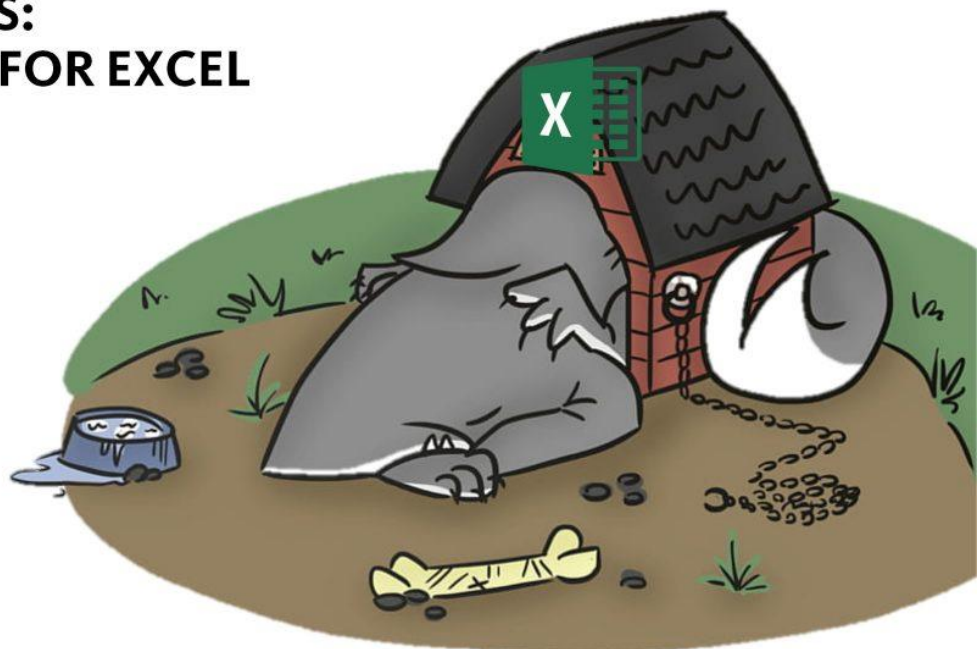
Therefore, data collection cannot be a competitive advantage of management consulting.

Analytics

Most of analytics in consulting (until recently) was done in Excel. Consultants are Excel wizards and can build anything in it.

But guess what – big data do not fit into Excel.

ANALYSIS: TOO BIG FOR EXCEL



F L E S S

Too big for Excel

Big data need special tools and/or knowledge of data science. Generalist consultants don't have them, and data scientists are hard to hire now even for the Big3. They prefer a more relaxed atmosphere in a big team for the same money at, say, X5 or Sberbank.

As to the special software tools like Tableau, Qlik, Alteryx, or Salesforce, they require experience but not necessarily management consultants.

Expertise

5 years ago here in London our McKinsey team was hired on a project because a senior partner had a very specific and relevant experience. 20 years ago such situations used to be commonplace.

EXPERTISE: NEW CHANNELS



Not anymore. Why?

Because you can find an expert with virtually any background among freelancers and in expert networks like GLG and Alphasights.

You pay \$1K, talk to your expert for 1 hour, get what you want, and hasta la vista. \$1K is quite a price tag, but still better than paying \$100K per week for a team of consultants.

By the way, consultants are the major customers of freelance experts. I personally made over 200 such calls in 3 years.

Recommendations

Remember those million dollar frameworks I mentioned earlier. Back in the 1970-1980s, they were golden bullets which created hundreds of millions of dollars in value. Clients wanted them like crazy.

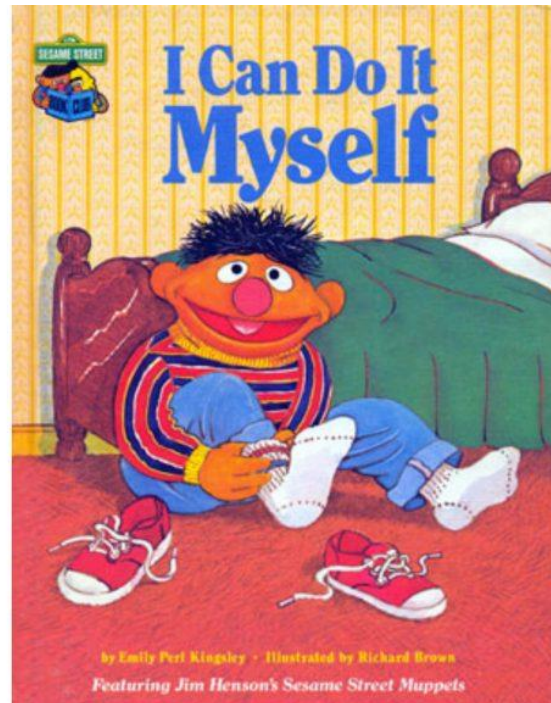
Actually, consulting candidates still do.

But the pre-cooked frameworks do not sell projects anymore. Why?

RECOMMENDATIONS: ONLY ON COMPLEX MATTERS



F L E S S



“I can do it myself”

All the classic frameworks became widely known through books, articles, and posts by consultants and ex-consultants.

Clients are now more sophisticated. Many of them employ armies of ex-consultants who will not pay for generic smart ideas alone.

The role of strategy has been decreasing in the past 10 years. Today it is more important to be lean and quick, even for a huge company, than to plan smart for the next 5-10 years.

Management consulting recommendations have not become obsolete, but they changed their nature. Smart advice alone is not enough. Clients need unconventional solutions and their reliable implementation.

Implementation

**IMPLEMENTATION:
BIG₃ STILL IN THE LEAD**

Still in the lead

Implementation is still something Big3 does better than competition, old and new. They've been building this hard-to-replicate skill for decades, and recently started to invest even more in it.

Yet, competition is challenging Big3 even here. From boutique data science shops to the audit Big4 and even IBM, many companies are trying to get into implementation advisory. There are companies like Partners in Performance who specialize in implementation.

Oh wait. I forgot about the most important thing – the brand. Clients go for brands. I've known quite a few companies who said "We either work with McKinsey or we do not hire consultants at all"

The brand will keep Big3 afloat for sure. But what if other strongholds of management consulting fall? Brand alone won't last for long.

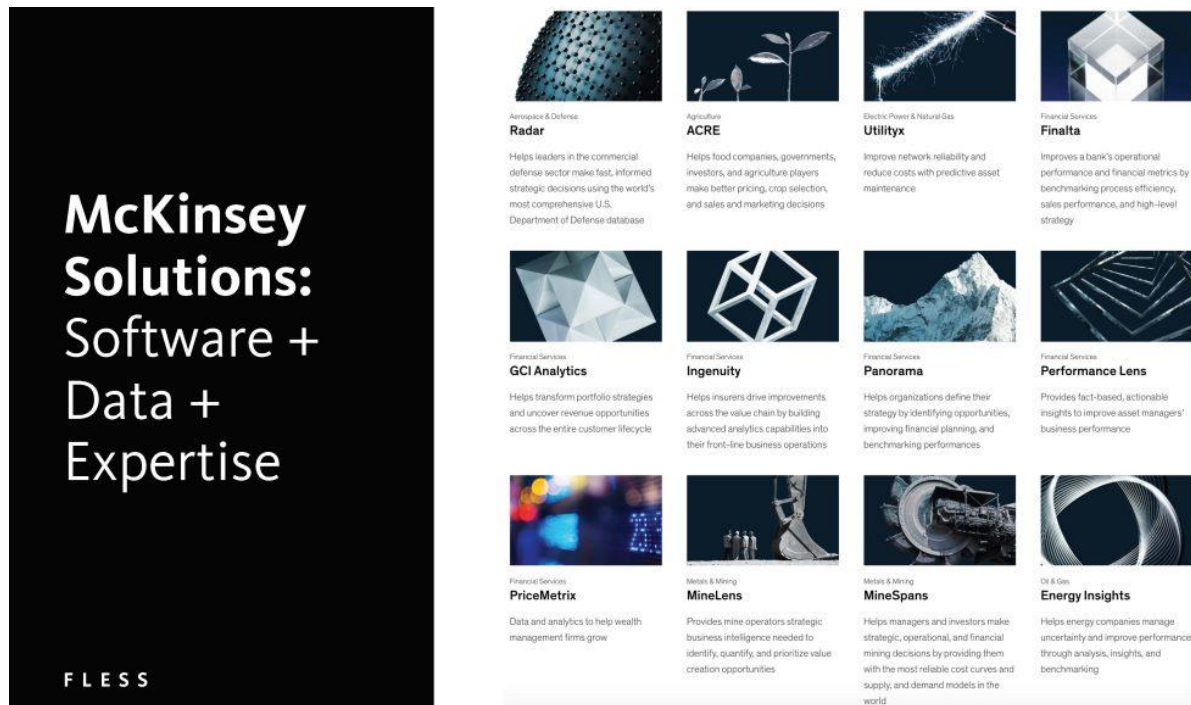
Despite the disruption, the Big3 is far from being doomed. Recall that lots of smart people are still in consulting, and they've known the issues I'm talking about for 15 years or more. And they've prepared.

Plus, one more business disruption came to the rescue.

Digitalization

McKinsey Solutions

Back in 2007 McKinsey started something called McKinsey Solutions – a mixture of software, proprietary datasets, and experts who support clients outside of traditional engagements.



McKinsey solutions
Now this suite has over 85 business solutions from the famous Energy Insights for oil&gas to Pricing Solutions and Finalta in banking.

This suite is growing faster than traditional consulting and outsmarts startups trying to get into the market with tech solutions.

Digital Consulting



All things digital

A newer and even more powerful branch in management consulting is Digital. 5 years ago while I was at McKinsey, it was virtually nonexistent. Now it is involved in over 40% of the Firm's projects.

Digital teams are made of not just traditional consultants and managers, but of data scientists, engineers, architects, developers, team leads, agile coaches, and designers – over 5K people at McKinsey (whose total headcount is about 30K people)

McKinsey Digital does everything related to digital transformations:

- Development and deploy in production of data science tools
- Design and development of digital products and customer journeys
- Implementation of new technologies

- Building digital culture from software development to top-level decision-making
McKinsey Digital is growing fast. Seems like most recruiting events, at least in the Moscow Office, are related to expanding the digital team.

BCG Digital and Bain Vector are growing as well.

BCG Gamma, the data science arm, in Russia is headed by a strong scientist Leonid Zhukov. We have an interview with him on our YouTube channel, I think it's worth watching.

BCG Gamma Interview

Bain Vector is not present in Russia, to the best of my knowledge. But given Bain's experience in transformations, I bet they are pretty strong in Europe and the US.

Implementation



Getting things done is still a valued consulting trait
As I said, the Big3 is placing a bet on implementation. About 6 years ago McKinsey even started a separate arm called McKinsey Implementation. It's growing, and it's looking for people with industry experience. By the way, the application process there is easier.

What Lies Ahead

Let's spend a few moments talking about the future. To quote Warren Buffett, forecasts of the future bear more information about the analyst making the forecast than about the future. But this is the only thing we have.

Cross-Functional Teams

CROSS-FUNCTIONAL TEAMS

F L E S S

CUSTOMER JOURNEY DEVELOPMENT BY BCG AND CLIENT



SOURCE: BCG

Cross-functional teams at BCG

Classic teams EM+2 will be gone for good. Teams will have professionals with backgrounds in data science, design, development, product management, and specific industries.

Whatever your role, you will have to understand the work of teammates and find a way to collaborate efficiently.

I believe in the future even generalist consultants will have to understand the basics of data structures and programming languages as well as development and design principles.

Deeper Expertise

**DEEPER
EXPERTISE**

F L E S S

Consulting

Fellow Intern

You'll work in teams of typically 3 – 5 consultants, playing an active role in all aspects of the client engagement. This includes gathering and analyzing information, formulating and testing...

Amsterdam | Berlin | Bogota | [+21 More](#)

Technology & Digital

**Full Stack Software Engineer –
Healthcare Systems and Services**

You will help design, develop, test and maintain software solutions that are leveraged within the Healthcare Analytics group.

Chicago | New Jersey | New York City

Consulting

Junior Associate

You'll work in teams of typically 3 – 5 consultants, playing an active role in all aspects of client engagement. This includes gathering and analyzing information, formulating and testing hypotheses,...

Abu Dhabi | Almaty | Amsterdam | [+74 More](#)

SOURCE: MCKINSEY CAREERS

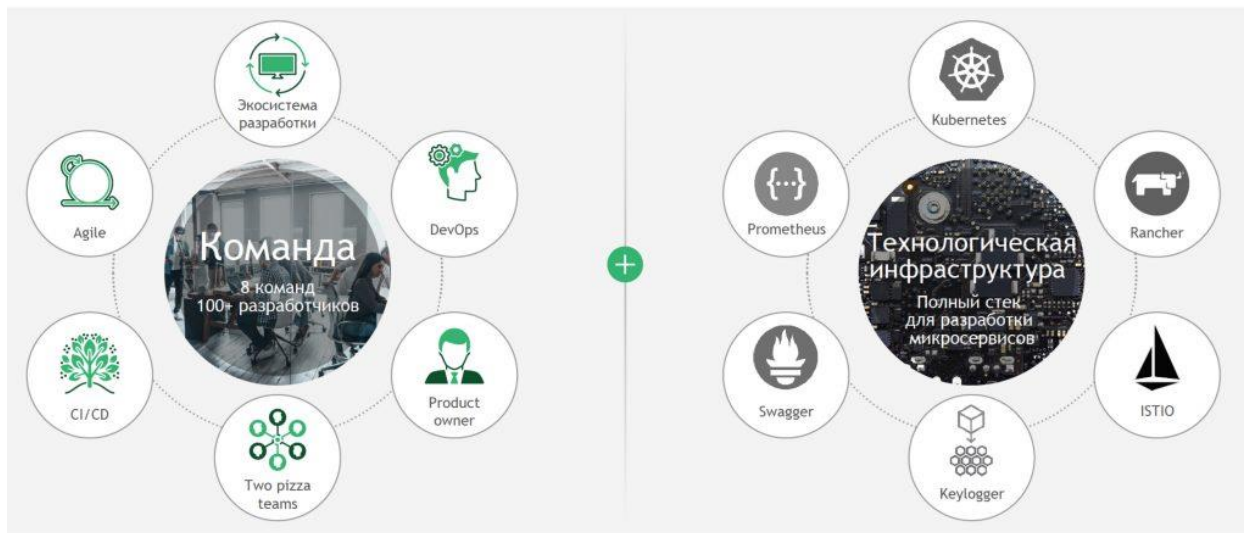
By the way, being a generalist won't be enough. Clients are becoming more complex and are demanding deeper understanding.

My friend and ex-colleague in the London office has been working on pharma projects for 7 years and still feels he lacks the needed depth at times.

This is great news for experienced professionals. Big3 used to be for smart fresh grads of top schools only, and now diverse professionals are in demand and can get in.

Digitalization

FURTHER DIGITALIZATION



F L E S S SOURCE: BCG

BCG digitalization

Digitalization is here to stay. Companies need help in reinventing themselves in the digital world with new products and business processes.

But what when all the transformation is over, and all client companies are digital?

Well, this trend will take years to pass. Plus, digital companies need help with further digital products and processes.

One possible (though not guaranteed) development path for the Big3 is turning into a digital business creator for clients – kind of outsourced Yandex.

Whether you like it or not, if you are going into management consulting, you'll have to work with the digital world all the time.

Increased Competition



Everyone wants a piece of the pie

Big3 alumni have been evangelizing management consulting around the world for decades, and now there are many players willing to compete for a piece of the pie:

- The Big4 auditors are systematically building competencies in strategy consulting
- Huge corporations like IBM, DHL, and Sberbank are developing their own consulting arms
- Tech consulting boutiques are offering digital transformation at a discount

Many corporations, even in Russia, have brought huge consulting teams in house, and now can do most consulting work on their own.

In the future, selling strategy consulting will be more difficult.

Success-Based Fees



Success-based fees are risky

As a result, the next trend is success-based fees. If the project succeeds, the client pays a small portion of the financial impact to the consultants. If the project fails, consultants get nothing.

The Big3 consultancies are interested in this arrangement because their share of impact is typically way bigger than the fixed fees.

However, there were recent cases when consultants did not get paid by a leading Russian company because success criteria were not stipulated in the contract ahead of time.

I believe though such cases will be rare in the future, as the industry gets used to the fees-at-risk arrangement.

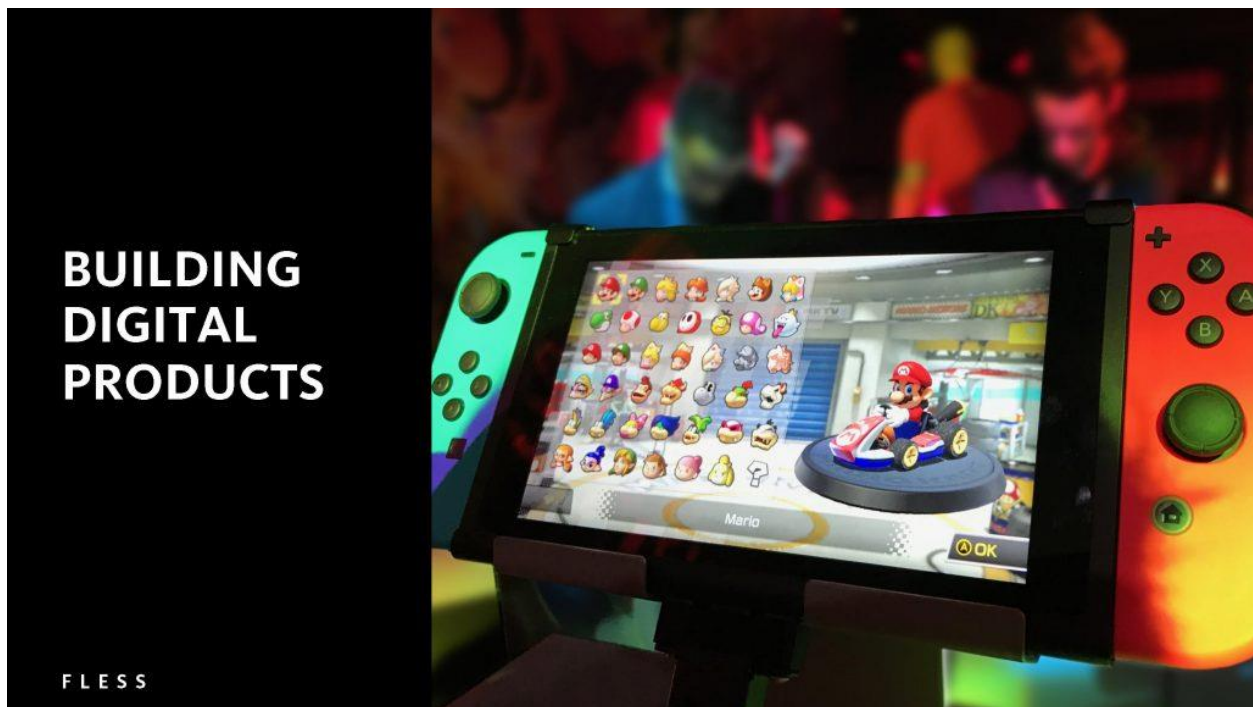
Skills of the Future

Raise your hands who still wants to get into management consulting?

For both of you, here's my piece of advice.

First of all, you need problem-solving and communication skills. They are a must and kind of obvious. They are necessary, but not sufficient. Here's what else you might need.

Building Digital Products



Basic knowledge in creation, design, and development of digital products. If you know nothing about design thinking, front/back end and deploy in production, it's time to kick off your self-study journey.

Industry Expertise



The Expert

A few years' experience before joining a consulting firm now sounds like a great idea.

Data Science

DATA SCIENCE

F L E S S



"After careful consideration of all 437 charts, graphs, and metrics, I've decided to throw up my hands, hit the liquor store, and get snocked. Who's with me?!"

Data science in management consulting
As I said, client data won't fit into Excel anymore, and depending on a data scientist for the speed and success of your work is not an option. It makes sense to acquire the basic knowledge of Python, SQL, and ML models.

By the way, if you want to get into management consulting, do not become generalists. Become data scientists. They are in huge demand and short supply, which are likely to remain for a few more years.

Advanced communication skills



Time to become extraverts

Consultants used to meet clients weekly or biweekly for progress reviews. With the rise of digital transformations, consultants have to work with clients daily, side by side.

You have to interact with clients a lot. If you are not an extravert, it's time to become one.

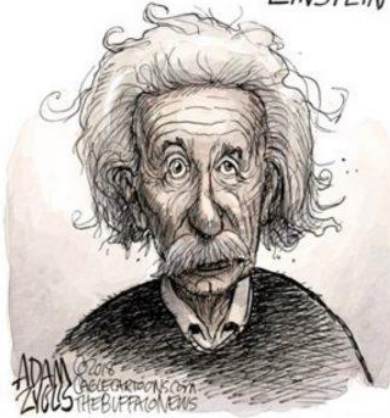
Humility

HUMILITY

F L E S S

The more I learn,
the more I realize
how much I don't know.

—EINSTEIN



I'm, like, really
smart and a stable
GENIUS!



Humility is the new trend

Humility is a great personal trait and used to be a bit of a problem for consultants. Now, with increased competition and diverse project teams, being arrogant is not an option.

What other skills do you think the management consultant of the future will need? Share your thoughts in the comments.

And if you decide you want to become a management consultant, subscribe to our [free email course](#)! It will guide you through the application process and help you be at your best. A presto!