

Management Consulting: The Road Ahead

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Abstract

This is a view of the \$150bn global management consultancy industry, abridged from a masterclass presentation given to the Institute of Management Consultants and Advisers in Ireland in November 2020. The paper looks forward and explores the implications of current sector dynamics. It is structured into two sections: the global management consulting market, and the implications for consulting business models.

The Global Management Consulting Market Covid Impact

Reflecting on the 2013 Clayton Christensen paper 'Consulting on the Cusp of Disruption' the management consulting sector has experienced more disruption in the past seven months than in the previous seven years. We've seen a Covid-related reduction in the worldwide management consulting market size by on average 13%. In some developing economies, the sector has reduced by about 20%. At the moment, nearly everything in consulting is virtual. People are expecting an eventual bounce back in terms of market size, but not a full regression to the face-to-face delivery approach that dominated until this year. The road ahead will favour consulting firms and individuals capable of virtual work on complex/ intimate client issues.

Underlying Trends

There is an underlying dynamic around the maturity of 'management' which is changing the management consulting sector. The growth of business schools and the size of the MBA population means a broader comprehension of management practice. The heady days of naïve clients leading to high margins in the consulting sector are long gone. Clients are sharper and more demanding, and we can expect this pressure to rise. Associated with this is the growing gap between 'standard' consulting services and specialist interventions. Clients use consultants for two main reasons: one – clients know exactly what to do but haven't got capacity; two – clients don't really know what to do and need help. The former, body shopping and commodity services, is under the greater pressure. If a consulting firm has a 'secret sauce' and brings insight, expertise, or process skills, the future is brighter. The importance of avoiding commoditised consulting has never been higher.

Bright Spots

There has been growth in some areas of consulting, and this is forecast to continue. Financial services, energy, sustainability, pharmaceuticals, and health are buoyant markets. There's also an acceleration in areas such as data and digital, and cybersecurity. Consulting related to the pandemic, such as risk, governance, and organisational resilience are on the ascendancy too.

Implications for Consulting Business Models Super Niche and the Signature Service

There is a progressive shift in the sector away from billable hours (time and materials) as a charging mechanism, toward the tangibility of consulting as price-bound products or outputs. This productisation enables consultants to make more concrete proposals to clients and to do so without depending on face-to-face selling.

For smaller consulting firms, a compelling recipe is away from general management consulting and towards 'super niche'. In this approach, value propositions are very focused and relevant (only) to specific sub-sets of the market.

To commercialise 'super niche' it is helpful for firms to consider what Consulting Mastered Ltd describe as the 'signature service', which is a commercially attractive sweet spot in the market. For a consultant this is a melding of three things: what she/he loves doing; what she/he is fundamentally good at; and what the target market truly values. When the signature service is clear, the task is then to translate it into a communicable and digestible 'opening sell'. This is the entry product and ideally the client's first step on the pathway into full signature service.

Thought Leadership

In the words of consulting specialist David Fields, when it comes to networks and networking, it's not who you know, it's who knows you. Thought leadership and being known for something hopefully sits at the core of the signature service. Thought leadership in consulting has four qualities: it needs to be novel (not necessarily to the world but to the target market); it needs to be robust and ideally research based; it has to be relevant to the market in question; and it should lead to a commercial proposition. The investment in pursuing a thought leadership strategy carries risk. Sometimes consultants are reluctant to take this path, worried about intellectual property leakage and being plagiarised. Experience seems to suggest it might be more useful to acknowledge these risks as costs of doing business, with the emphasis on the two words 'doing business.'

The Digital Twin

The term 'digital twin' should act as a reminder that the more consultants engage with clients and markets through the web, social media platforms and e-commerce activities, the more they are building a virtual personification of themselves. Consultants are advised to consider the degree to which they present well to the virtual world and there is the scope for stronger practice in this area. Few seem to have had a digital audit of their proficiency around LinkedIn, websites, Twitter, and broader social media activity. The future probably does belong to those who show up. And heading forward, this is going to be more in the virtual world than the physical one.

Rise of the Freelancer

The general estimate is 20% of the value of the management consulting market is in the hands of solo practitioners. Consulting has been recognised as a long tail profession with few large firms and a multitude of micro enterprises. And the tail looks to be growing.

This growth is, in turn, stimulating the rise of mechanisms to make the long tail more efficient and commercially fruitful. We've seen the growth of portals by which we can interact with other freelancers: Upwork, Comatch, and Talmix are three examples. There are also portals that enable the creation of a 'virtual firm' - no office, no permanent HR of scale, but a brand and virtual presence plus a client journey. The question for many freelancers in this changing world is whether they themselves become the product.

Technology Accelerated Efficiency

The Learning Curve effect reminds us of the human tendency to become more efficient. Whether is served by natural curiosity or the principle of least work is immaterial, the characteristic is prominent. The ascendancy of digital technology gives consultants the opportunity to accelerate their learning curve gains in efficiency, which ultimately translate to gains in margin. The mechanisms to do this are many and growing: diary scheduling, virtual assistants, globally-sourced specialist services (e.g. freelancer.com), scheduling tools, data analytical tools, transcription tools etc. The shift in the nature of work is both encouraging and threatening in this respect. A view is that while only 5% of jobs will be eradicated by automation/robotics, 50% of work-placed processes will be replaced. The implication for consultants is that they are likely to have a future role, but this will be fundamentally redesigned.

Consulting as well as...

The final comment on the consulting business model is about organisational resilience and risk mitigation via business model diversification. Many consultants have understood the need to diversify their client base as a means of risk mitigation, but as the pandemic experience has shown, several businesses have suffered through too narrow a business model in the first place. The way forward for many consultants is probably parallel business models rather than a single one. If you're the smaller consulting enterprise, this could mean coaching activities, a training business, accredited personality profiling, academic work, etc. If these activities are healthily mutualistic, so much the better.

In Summary

Despite catching a (13%) downturn this year, management consulting is a massive market. Change will favour those firms living in the bright spots and who embrace technology as part of their service delivery.

The future may also favour the consultant who can generate value as the bee in the flower garden. She/he can move between flowers, gathering and pollinating. A consulting firm can't pollinate the world, so the choice of garden lends itself to service specialisation. Super niche looks to be the order of the day.

The term 'freelancer' probably fails to describe the skillset useful for future success in the consulting world. The requirement looks to extend way beyond the ability to 'deliver'. The label 'solopreneur' plays more to the ability to see opportunity in change and grasp the flow of markets. Not only to be skilled at delivery but also to frame, position and communicate consulting value propositions as part of a resilient overall business model is vital.

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