

Disruption in Consulting

Consulting firms have traditionally employed a business model where they hire smart young talent, groom them and help them build expertise through strong apprenticeship models, and then charge clients fees to utilize that expertise for specific periods of time to help solve critical issues. This has led to the creation of a highly respected USD 450bn industry which has been growing at a rate of approximately 4% annually, significantly higher than global GDP growth rate. However, despite this strong momentum the consulting industry is undergoing meaningful changes - advancements in technology, data democratization and evolving client expectations are all creating pressures as also opportunities that are enabling new business models to emerge.



1. Consulting Landscape today

Consulting services by their nature are varied, however we can segment the industry by looking at the following parameters: types of services offered (e.g., business strategy and advisory vs. solution implementation), at what level of the client organisation firms engage (e.g, Boards/CEOs, CXOs, middle management), and pricing. Based on these, the traditional consulting industry structure could be viewed as follows:

- › McKinsey, BCG, Bain
- › Strategy consulting services - typically advise CXOs and Boards of their clients
- › Hire the best talent and expertise
- › Deploy them in short-term advisory teams
- › Strong focus on domain or sector-specific expertise and building “knowledge assets”
- › Premium Priced

- › Includes consulting arms of IBM, Infosys, Cognizant etc
- › Engage primarily in technology-driven consulting services
- › New services in big data, predictive modelling and data analytics
- › Well-positioned to challenge broad-based consulting firms in specific verticals
- › Hire functional experts rather than sector-specific domain experts
- › Engaged for large-scale projects and subscription-based services

**“Top Tier” Traditional
Strategy Consulting Firms**
(~15%)

**Broad-based Consulting
firms including the “Big 4”**
(~40%)

**Consulting arms of
Technology giants**
(~20%)

**Niche, boutique firms and
independent consultants**
(~35%)

- › Big 4 (Deloitte, EY, PwC and KPMG)
- › Largest growth in the industry in recent years
- › Scale and breadth to execute large-scale engagements
- › End-to- end and turnkey solutions – perceived one-stop solution shops
- › Some short-term operations advisory roles
- › Delivery and implementation of solutions in many different domains

- › Specialist firms or independent consultants
- › Deep expertise in a specific sector or domain
- › Aligned either by industry (e.g. Health Management Associates, in the healthcare industry) or by functional capability (e.g. Datascope Analytics in the data science and analytics space)

Disruptive technologies, new entrants and evolving client expectations are causing these traditional players to adapt and change their business models, and we address some of these trends in the following sections.

2. Disruptive Trends and Emerging responses

2.1 Data democratization is driving firms to diversify Service Offerings and Delivery Models to maintain growth

As a Harvard Business Review paper notes “At traditional strategy-consulting firms, the share of work that is classic strategy has been steadily decreasing and is now about 20%, down from 60-70% some 30 years ago”. Clients are increasingly looking for **data-driven analysis for decision making** as opposed to relying upon purely strategic recommendations and brand repute. The opening-up of data or data democratization means that access to large sets of data and tools to analyse data, is no longer limited to just an exclusive set of firms that can afford it. This is enabling communities of data and tech-savvy users, independent consultants and niche consulting firms to conduct cutting-edge analyses and derive insights, without having to spend on large-scale infrastructure.

Consulting firms are having to catch up – not only are they expanding their service offerings, but they’re also diversifying their talent pool to ensure the right expertise is available to turn data into meaningful information and insights. A specific challenge arises in retaining captive access to such expertise, as on-demand platform connectivity is offering flexible alternatives to traditional employment models (see following section on ‘on-demand talent models’).

In recognition of these changes, firms like McKinsey & Company are complementing their strategic consulting expertise with technology solutions, tools and analytics and are deploying specialized teams to deliver these solutions (See [McKinsey Solutions](#)). They are moving toward a model of higher breadth in engagement with clients, as opposed to a greater focus on strategy consulting that more naturally lent itself to shorter engagement models. Several strategy-focused firms that did/could not adapt to the change could not sustain their positions post the downturn, leading to acquisitions and some consolidation in this segment. (Deloitte’s acquisition of Monitor as a case in point).

The **emphasis on data-driven decision making has also enabled technology consulting firms to challenge other traditional consulting firms, using their capability in data analytics, big data and predictive technologies**. Entry into this space was a natural extension for these technology consulting firms, as they built upon their core competence and expertise in data and technology. They are now complementing this expertise with domain or industry expertise to compete with the business-led solutions of traditional consulting firms.



Data democratization

Large firms no longer have exclusive access to data & first order insights



Cost competition

Multinational Corporations big enough to run in-house consulting teams and are looking for more specialised solutions



Talent access

Platforms lower the cost to access high-quality bespoke talent directly

To stay relevant and competitive in the big data and predictive technologies space, the Big 4 and other similar firms are not only developing capability organically, but also pursuing a host of acquisitions.

Increasingly, **a host of niche firms and even independent consultants are emerging as competition in this space, and they deliver value at lower prices.** Firms such as Fractal Analytics and Brillio have varied engagement models to serve clients that are Fortune 500 firms as well as small, localized businesses.

2.2 Cost competition & rise of internal consulting

Engaging consulting firms gives corporations access to specific expertise and/or smart resources when needed for required durations of time. But this usually comes at a premium price.

In recent years, many large corporations have built up 'internal consulting' teams, drawing from the same talent pools as that of the consulting firms. In fact many of these teams are staffed by ex-consultants who opt for industry careers after getting a start in management consulting. These 'internal consultants' employees are a shared pool of talent, deployed across business units and geographies to pursue growth opportunities and tackle problems. The emerging roles are in fact often stepping stones for consultants to direct P&L and business responsibilities.

While this is certainly a more cost-effective alternative to hiring consulting firms, finding specific expertise at the right time, and managing deployment with demand remain difficult problems to solve. This is when niche/boutique firms and independent consultants can plug in effectively, complementing the skill sets of the internal strategy teams. Employing external consultants may also be preferable for some corporate managers, especially to drive change in politically sensitive situations.

2.3 Demoractisation of talent access

Advancements in technology and connectivity have led to the creation of new business models for on-demand talent deployment. **Clients can access large networks of experts and top talent directly, and often at a lower price.** (See section on 'On-demand talent models' for how this works).

If corporate managers can break down their business problem into modules, then each could be delivered by independent firms or individuals, with the manager playing the role of a coordinator and bringing the pieces of the solution together. This not only gives the manager a closer look and more control into every module of the solution being implemented but also the chance to hire exactly who they think is the best fit for each module of work. Quality is not compromised as you have niche expertise focusing on individual parts of the problem, however, the risk of failure of 'pulling it all together' remains with internal managers.

Scale of large consulting being disrupted by platform connectivity – response of firms is to join in and aim to simplify the model for their clients

Increasingly, the Big 4 consulting firms are beginning to adopt a similar model, by playing the role of coordinators for cautious corporate managers. While the Big 4 play the role of the coordinator for large projects, they often sub-contract to individuals or niche firms to deliver specific modules. They're focusing on breadth, geography, and scale, rather than delving into super specialization or niche expertise. Remaining invested in very specialized skills and specific talent is a hard game for giant turn-key consultancies, especially when the market and demand for specific skills is evolving so rapidly.

Some of these consulting firms expect the new on-demand talent pool to represent a large and strategic part of how they deliver and have built their own platforms to tap into this. PwC recently launched the '[PwC Talent Exchange](#)', an online marketplace that "connects the best independent talent with exciting PwC opportunities". [Deloitte Pixel™](#) is Deloitte's global crowdsourcing capability, that enables them to access and collaborate with specific expertise to source crowd-based solutions for their clients. "Deloitte Pixel™-as the name evokes–zooms into an issue or problem and breaks it down to its core components or pixels. Once pixelated, we can assess which crowds are best to execute each component of work in collaboration with specialized Deloitte and client resources." Mercer also has new solution, People Pro, which uses independent talent and flex-workers to offer small and mid-sized businesses HR expertise, on demand.

Mercer also has new solution, People Pro, which uses independent talent and flex-workers to offer small and mid-sized businesses HR expertise, on demand.

3. How do on-demand talent models work?

Platforms such as [Flexing It](#) connect organizations with professionals for projects, flexible work arrangements as well as for subject matter expertise (Flexpert). Firms can engage with industry experts over a call for advice on a business problem or contract with top-tier consultants for support on important projects and strategic priorities. Geography or domain-specific versions of this model are springing up, that connect clients (and consulting firms) to expertise on-demand.

Firms like [Eden McCallum](#) and 10EQS have introduced yet another model – the network model – to deploy talent. These firms work through a mix of in-house and independent consultants to deliver work for their clients. Use of independent consultants provides flexibility and the ability to tap into the expertise needed for an assignment, while in-house partners ensure continuity for clients while also providing some oversight...

Another take on this model is what we see in innovation consulting firms such as [PSFK Labs](#) that provide consulting services based upon both tailored and off-the-shelf research and offer their clients tools and content for decision making. PSFK has access to a network of experts and partners from across the globe, who are consulted upon to deliver on specific requests from clients. In the PSFK model, clients are given access only to the solution (analysis or report) that is created using the network of experts, and not directly to the experts themselves.

Easy access to local and global talent, aided by platforms that connect demand with quality expertise have helped not just consulting firms and their large clients, but also small businesses who can now afford to hire specific expertise for short periods of time.

Then of course we have Expert Networks such as the Gerson Lehrman Group ([GLG](#)) which connects clients to a network of subject matter experts from every industry for short-term and long-term learning engagements. Clients engage experts through GLG for phone consultations, meetings, special reports, surveys, professional training, and roundtables.

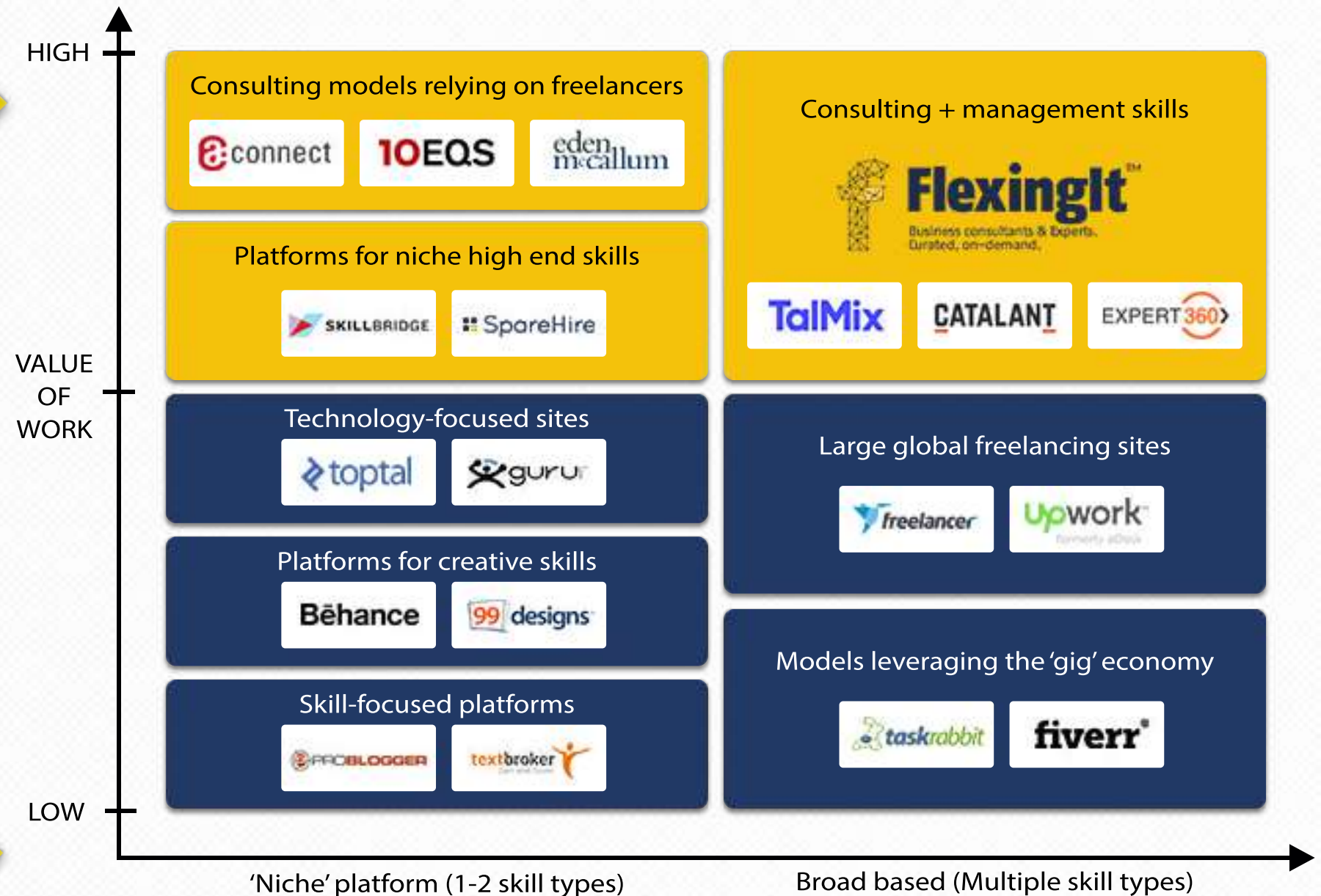
Online platforms have also found creative ways to allow consultants to price their services and benchmark the demand for their skills while allowing clients to pay upon realizing results.

Most likely disrupters to traditional consulting

Evolving client expectations, technology advancements and data democratization are clearly disrupting consulting by creating new business models and a new basis for competition. Employing the new on-demand model for talent deployment is leading to leaner organizations with lower overheads – for consulting firms too!

However, this is not a solution that can work each time – on-demand hiring can only work when the problem is well-defined and appropriately scoped. In situations of uncertainty and ambiguity, or in politically charged situations, organizations are better off hiring big brand consulting firms and trusted advice. Coordinating on-demand talent and orchestrating the solution can also be time-consuming.

Graph: Most attempts to tap this space have focused on the lower end of the skill/value spectrum



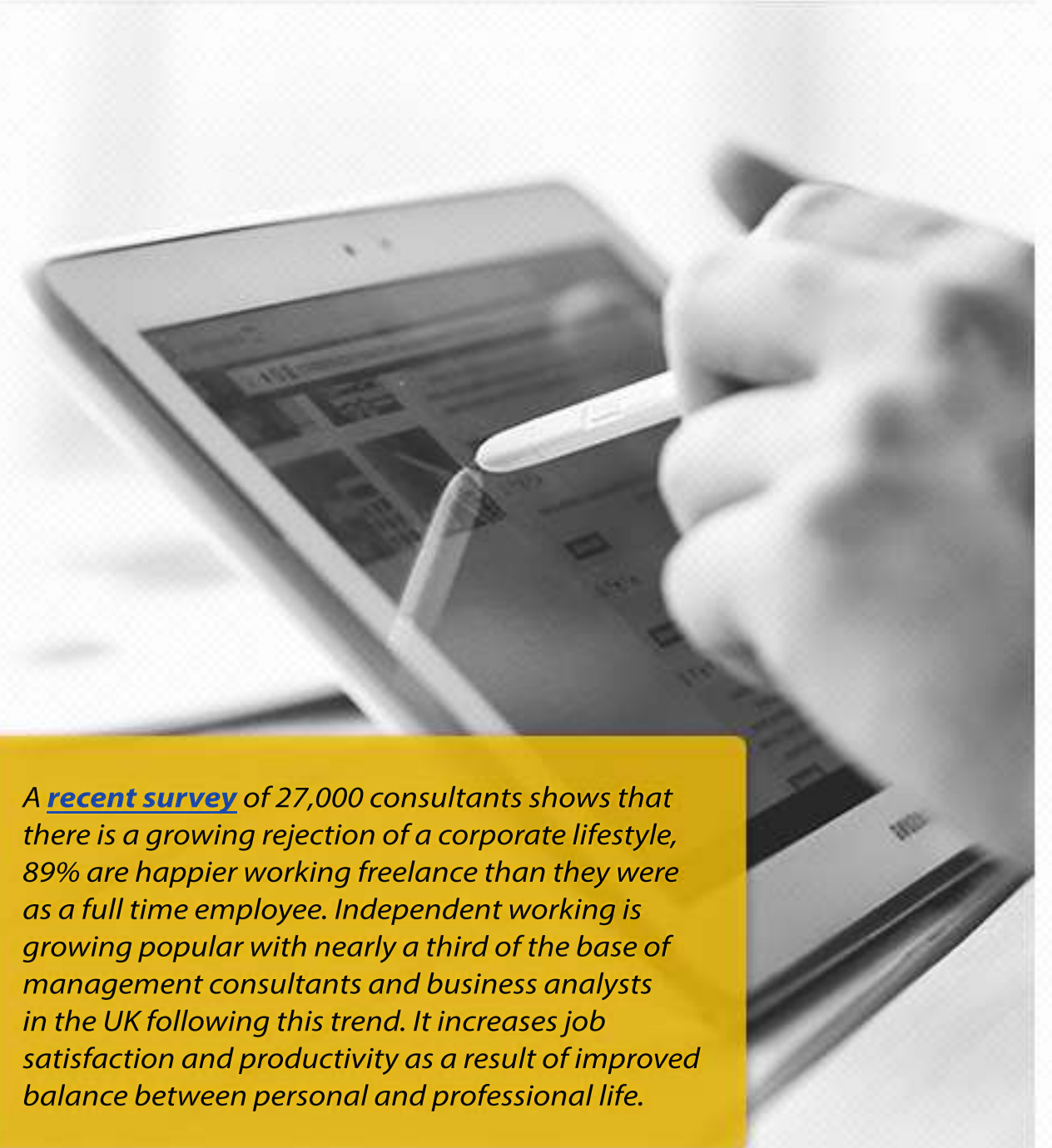
4. Talented Professionals are getting selective

On-demand consulting platforms allow consultants to **choose who they want to work with** and **what they want to work on**, tailored to their schedule and availability. Not only does this **improve work-life balance**, but it also enables consultants to chart their own paths ahead in their specific areas of interest. Multiple studies and reports by firms like Gallup, Ernst & Young and Fidelity Investments indicate that the millennial generation (people born between 1980-1996, who will soon constitute a majority of the global workforce) are seeking meaningful work and work-life balance as a priority, not necessarily just a regular pay check.

On-demand consulting also opens up opportunities for professionals who would otherwise have had to drop out of the workforce temporarily, either to raise children or for elder care or for a multitude of other reasons. What was once construed as a space for only very senior and experienced professionals, who were called upon by elite clients to provide advisory services, is no longer limited to that cadre.

The connectivity offered by online talent platforms can help increase labour force participation and productivity. A research conducted by the McKinsey Global Institute estimates that online talent platforms could add \$2.7 trillion, or 2% to global GDP by 2025, by connecting people to the right work opportunities.

However, the wave of on-demand and independent consulting does come with its share of challenges: the risks of not having a consistent pay check, a degree of uncertainty and lack of benefits. Fortunately, there has been growing awareness and some resolve to tackle some of these issues and support the ever-growing community of independent workers. Flexing It's whitepaper on "The Rapidly Evolving Freelance Ecosystem" provides a glimpse into some policy measures and support initiatives for independent consultants across the globe.



A **recent survey** of 27,000 consultants shows that there is a growing rejection of a corporate lifestyle, 89% are happier working freelance than they were as a full time employee. Independent working is growing popular with nearly a third of the base of management consultants and business analysts in the UK following this trend. It increases job satisfaction and productivity as a result of improved balance between personal and professional life.

Here's a second look at the industry landscape to identify potential evolutions or solutions being employed to tackle the disruption in consulting.

Type of firm and traditional core competencies	Responses to tackle the disruption?
<p>“Top Tier” Strategy Consulting Firms</p> <ul style="list-style-type: none"> ➤ Ability to attract the best talent and expertise ➤ Global presence and scale ➤ Brand repute and aura ➤ Network and relationship with CXOs and boards ➤ “Knowledge assets”, accumulated intellectual resources 	<p>Continue to ride upon brand aura, relationships and network-based engagements, to</p> <ul style="list-style-type: none"> • Deliver complete solutions, rather than just advisory services • Price services outcome-based and not purely by effort/time <p>Need to get presence in big data and predictive technologies space, possibly through acquisitions</p> <p>On-demand platforms for experts and internal consulting teams of multinational firms will certainly attract some talent away from these firms - especially millennials that are looking to find a better work-life balance.</p>
<p>Consulting firms with larger extent of involvement or breadth, including the “Big 4”</p> <ul style="list-style-type: none"> ➤ Global presence and scale ➤ Breadth of services, ability to deliver end-to-end and maximise cross-selling opportunities ➤ Brand reliability ➤ Ability to work at multiple levels – with CXOs, business unit heads and middle management 	<p>The Big 4 and other firms seem to be embracing the disruption by:</p> <ul style="list-style-type: none"> • Hiring or acquiring expertise to ride the data democratization wave (and they will continue to do so) • Tapping into the on-demand market themselves to hire specific expertise for certain modules of their large-scale projects • Collaborating with technology giants or with niche expertise to solve problems • Tuned in to the voice of the millennial workforce with creative HR solutions to retain smart talent and provide flexibility
<p>Consulting arms of Technology giants</p> <ul style="list-style-type: none"> ➤ Functional expertise – with data and technology ➤ Ability to deliver long-term large-scale projects 	<p>Need to invest in on-boarding business expertise</p> <ul style="list-style-type: none"> • Technology-led approach could be a barrier for access to top executives of businesses • Challenged by platform connectivity, crowdsourced solutions and niche firms that are cheaper and more flexible options for talent deployment • Global presence and scale is less of an asset
<p>Niche or boutique firms, and independent consultants</p> <ul style="list-style-type: none"> ➤ Specific expertise ➤ Flexibility ➤ Fast-growing and entrepreneurial environment ➤ Historically client relationship- based (but increasingly less relevant) 	<p>Firms that rely on client relationships rather than value add will die rapidly</p> <ul style="list-style-type: none"> • Demand will grow significantly due to emerging access to wide talent without overheads (via platforms) • Successful emergent firms will also get acquired by larger consulting firms

5. In Summary

Disruptive innovations typically tend to be less expensive for the customer and more easily accessible broadly. Advances in technology and data democratization are enabling precisely that for the consulting industry, by encouraging the utilization of on-demand talent. Multiple models of talent deployment are being explored by clients, consulting firms and innovative platforms that connect demand with expertise. While benefits to businesses are obvious, this movement also works well for the workforce of today that is more technologically adept, has a clear preference for quality of work and work-life balance, and is looking for more control on how their skills are utilized.

Disruption in Consulting

A report by

