Disruptions... Consultants Have Them Too

by Phil Phillips, PhD
Contributing Editor
phillips@chemarkconsulting.net

Part One of a Two-Part Series

Owning and operating a consulting company for the last 27 years keeps us always focused on improvements and... even threats to our status quo. A recent "Harvard Business Review" column caught my eye in terms of the question... "how can consultants become more client-sensitive."

I'm going to paraphrase to make some points and directly quote to make others, but fully credit HBR in the process.

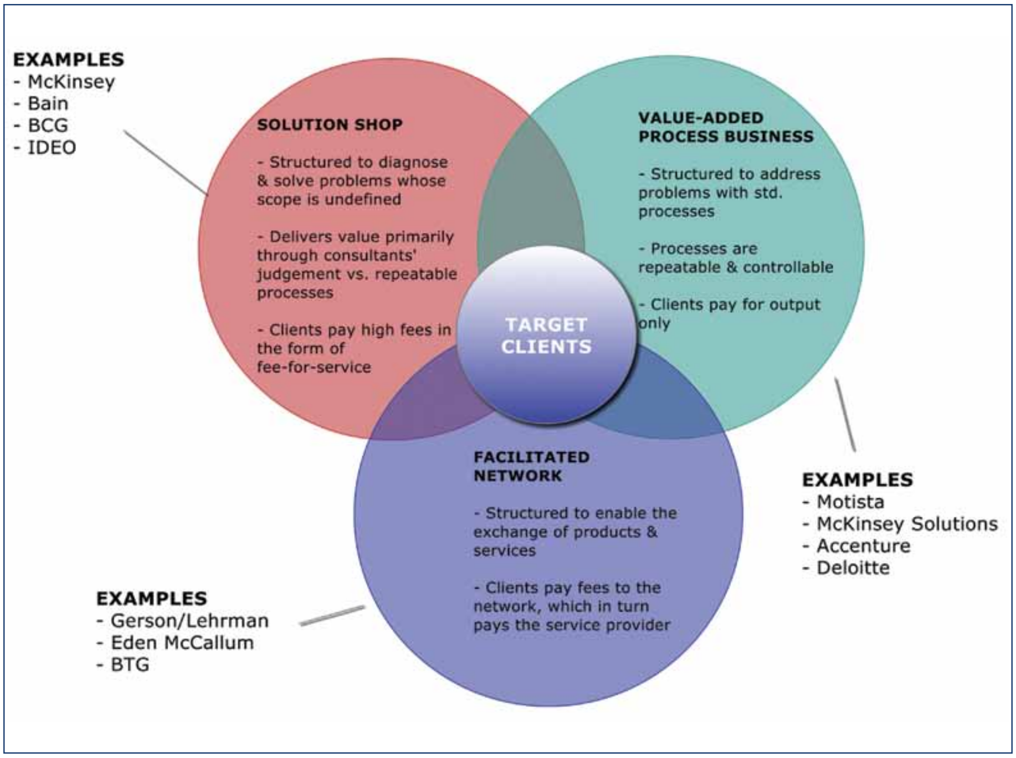
Let's start with the HBR conclusions they've reached after several years of research into professional services: "We have come to the conclusion that the same forces that disrupted so many businesses, from steel to publishing, are starting to reshape the world of consulting."

What does this conclusion mean to users of consultative services . . . the clients?

The impact is significant on both the consultants as well as the clients:

- New consultant competitors with new business models arrive
- Incumbents choose to ignore the new players or flee to higher-margin activities
- A disrupter whose product was once barely good enough achieves a level of quality acceptable to the broad middle of the market
- This undermines the position of longtime leaders
- Causes the "flip" to a new basis of competition.

It is true there are early signs of more sophisticated consulting competitors with unconventional models that are gaining acceptance. They are not nearly as large as the brand-name consultancies . . . . McKinsey, Bain, Boston Consulting Group but the incumbents appear to be vulnerable.



"Consulting services are not transparent..Being highly opaque, the real frustration of their client base is the extreme difficulty in measuring the results of the consultant's inputs."

HBR shows an example comparing traditional strategic consulting firms versus the intrusion of the new models: "The share of work that is classic strategy has been steadily decreasing and is now about 20 percent, down from 60% to 70% some 30 years ago, according to Tom Rodenhauser, the managing director of advisory services at Kennedy Consulting Research & Advisory."

Consulting Has Been Protected from Disruption

For years, according to HBR, consulting had been immune to disruption for two reasons... **opacity** and **agility**.

Consulting services are not transparent as are manufacturing-based companies. Prestigious consulting firms evolved into "solution shops" whose recommendations are incubated in the black box of the team room. Being highly **opaque**, the real frustration of their client base is the extreme difficulty in measuring the results of the consultant's inputs. Clients have usually relied on brand, reputation, and other social proof (education pedigrees, eloquence and demeanor) as substitutes for measurable results. This rationale set appears to be unstable in today's instant gratification climate.

Agility has been another strength that has allowed the BIG GUYS the flexibility to respond to threats of disruption in the past. The large-, as well as some of the medium-sized market challengers to the big firms, are the direct opposite of Republic and US Steel disruption cases. However, HBR says, "**opacity** and **agility** are rapidly eroding in the current environment."

In Part Two of this two-part series on disruption we will examine two questions: Are Consultants in danger of disruption? and Are Clients hiring the right firm for the job? ***CW***

Reference: Harvard Business Review, October, 2013