

Consulting Over the Horizon

Perspectives on the future of management consulting

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Executive Summary

The international financial crisis, new technology and environmental concerns are among the factors that are fundamentally changing today's business environment, providing new opportunities to management consultants who are alert and flexible. The objective of this research project, conducted as the final paper of an MBA programme, is to provide insight into how management consultancies can prepare themselves today to take advantage of opportunities that will appear tomorrow.

A review of the academic literature confirmed that management consulting has frequently experienced growth during economically difficult times, but revealed little that was helpful when considering the future. Primary research was conducted by interview with 13 consultants and senior executives, with findings summarised as follows:

- management consultants will continue to be in demand, because executives will always face challenges;
- the essence of management consulting is not changing: its fundamental role is, and will continue to be, to identify problems and propose solutions;
- leading consultancies play a special role in identifying innovative business thinking and converting it into practical business advice;
- being a business, a management consultancy won't succeed if it pushes an agenda that doesn't support its financial interests.

Reflection upon the material obtained through the literature review, research interviews and discussions led to the view that strategic planning for management consultancies should reflect an horizon of 2 years for skills development and 10 years for its investment in people. This study also concluded that executives are facing a future that involves managing and reporting on multiple objectives, and that management consultants will be in demand if they are able to assist their clients in incorporating environmental and social objectives into the bottom line and help them to identify and profit from the opportunities that will appear.

Although the research findings suggest that management consultants can successfully cope with the transformation that is being experienced in the business world, this report argues that change will be of a scale that requires a strategic response from management consulting firms. The following recommendations will help prepare management consultancies to take advantage of opportunities in an uncertain future.

1. **Change** Remain alert by keeping close to leading business thought and practice:
 - examine corporate structures to ensure that they allow for quick responses to new opportunities, particularly those that require unconventional thinking and a new mix of skills;
 - evaluate the mix of staff that will be required to ensure a flexible and responsive firm;
 - cultivate relationships with leading business schools and research units;

- be actively involved in entrepreneurial ventures as a deliberate strategy to identify new business knowledge;
- ensure a training process is in place that allows for the rapid up-skilling or re-skilling of staff.

2. **Diversity** Increase flexibility by ensuring that the firm's workforce contains a diverse set of skills and experiences:

- examine recruitment policies to ensure that recruitment occurs from a heterogeneous applicant pool, so that the workforce is diversified with a wide range of backgrounds and skill-sets;
- ensure that senior management recognise and give serious consideration to divergent thinking, so that they can more effectively identify emerging opportunities and navigate through the changes ahead;
- follow diversification strategies in order to reduce risk and increase flexibility, while seeking to identify niches with the potential for significant growth opportunities.

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1 Introduction

The business landscape is changing fundamentally, but as McKinsey's worldwide managing director Ian Davis wrote in March 2009, tomorrow's environment will be no less rich in possibilities for those who are prepared.¹ In seeking a greater understanding of the impact of global events combined with a personal interest in a career in management consulting, I chose to explore the long-term future of management consulting[‡] through a combination of literature search and interviews for the research component of my MBA programme. This report contains the literature review, findings and conclusions of that research.

The objective of this report is to provide insight into how management consultancies can prepare themselves today to take advantage of opportunities that will appear tomorrow. The original intention was to consider an horizon of 40 years, but as will be explained in §4.2, it became apparent that a time-frame of 10 years was a more appropriate long-term horizon for the consulting[‡] industry. Although reference to specific opportunities proved helpful in the development of a coherent line of reasoning, the point of this report is not to try and identify the opportunities that will occur. Richard Rumelt and Lowell Bryan make the point that *"if you have a clear vision of the future ten years hence ... it's a hallucination, it's not vision. ... Good strategy is more like surfing a wave than having this clear vision of the future."*³ The aim of this research is not to predict what is coming, but to help wax the surfboard, or maybe even add a fin or two, so that consultants can better surf whatever waves appear over the horizon.

Management consultancies have generally fared well during recessions and discontinuities in the business environment. In a rapidly changing world, senior management may struggle to understand the shifting business context and may be unsure how to best position their companies to take advantage of, or simply to survive in, the new setting. Under these circumstances, companies may be driven to consultants for external advice and assistance.⁴ History shows that consultancies have often grown during these times; however, history also shows that growth is not a certainty and that small consultancies are able to upstage their established competitors if they respond more quickly to the new business environment. Today is no time for complacency, and just as it is not business as usual for business, I don't believe that it will be business as usual for consultancies over the next decade.

One particular area considered in this report is sustainability. The word 'sustainability' has become a rather nebulous term and requires a clear definition. Until the 1980s, business leaders understood 'sustainability' to mean a company's ability to steadily increase its earnings,⁵ a view that still applies provided a generational perspective is considered. The present understanding of the term has been attributed to a 1987 UN report in which sustainable development was defined as *"meeting the needs of the present without compromising the ability of future generations to meet their own needs."*⁵ As suggested by Adam Werbach,⁶ 'sustainability' is defined in this report as *"following a strategy for long-term business growth that achieves a balance of economic, social, environmental and*

[†] Management consulting is the rendering of independent advice and assistance about the process of management to clients with management responsibilities. This definition has been adopted by the International Council of Management Consulting Institutes.²

[‡] For the sake of brevity, the terms 'consultant' and 'consulting' are occasionally used without qualification in this report, but in every case refer specifically to 'management consultant' and 'management consulting' respectively.

cultural considerations.” Management consulting needs to understand how concerns regarding this more recent definition of sustainability are impacting the business world, how sustainable practices can be measured to demonstrate their value in tangible ways and how to deal with the demands of multiple stakeholders.

The focus of this report is on the consulting industry internationally. As was pointed out by a number of those interviewed, the New Zealand market has very few large companies and limited demand for genuine management consulting. Rather than investigating the local situation, this enquiry considers what is occurring globally and does not give any special consideration to New Zealand.

The report begins by outlining a review of the literature, which provided good background but limited insight regarding the outlook for consulting. The literature search revealed that little academic attention is paid to management consulting, and although consultants themselves are frequent publishers, their work tends to focus on their clients’ businesses rather than their own. Following the literature review, the primary research conducted through interviews is described. These interviews provided a consistent message regarding the role and future of management consulting, with the results summarised in §3.3. Section 4 explores selected issues in more depth and leads to the final conclusions.

2 Literature Review

2.1 Management Consulting Overview

Some authors trace the origins of management consulting to the scientific management practices of Frederick Taylor in the early nineteenth century,⁷ while Christopher McKenna proposes that management consulting developed from engineering, law, accounting and merchant banking.⁸ Management consulting as we would recognise it today, however, began in the United States with Edwin Booz who founded Booz, Allen & Hamilton in 1914 and James McKinsey, founder of McKinsey & Company in 1926.⁹

The consulting industry experienced growth over the course of World War II and the economic prosperity that followed. During the 1970s, many new firms entered the market and consulting as a whole became more specialised.⁹ Consulting grew significantly from the 1980s, and by 2006 had become a US\$70 billion global industry with an estimated 140,000 management consultants worldwide. Half of these consultants were in the USA where, by comparison, there were approximately 150,000 executives.¹⁰

While some have argued that consulting simply repackages solutions and pushes fads,^{11, 12} others understand consultancy to be a reflection of prevailing managerial problems and definitions.¹³ Chickillo and Kleiner state that *“the one single most important thing a consultant brings to a company is the ability to look objectively at the company’s problems and render an unbiased view of that situation.”*⁹ A close relationship between clients and the senior partners of consulting firms is a feature of the classical consulting business model,¹⁴ and more recently this relationship has developed into that of an intimate partnership¹⁰ or trusted advisor.¹⁵

2.2 Lessons from the Past

This section reviews how consulting has responded to past upheavals. Despite having regularly advised their clients of threats and opportunities in their competitive environment, management consultancies have often appeared oblivious to the impact of these dynamics on their own businesses.⁷

2.2.1 Recession

Opportunities have always existed in economic downturns. It was during the recessionary 1870s that Rockefeller and Carnegie took advantage of new refining and production technologies and the weakness of competitors to establish dominance in the emerging oil and steel industries. A century

later, under difficult economic conditions, Warren Buffet transformed a struggling textile company into a successful investment fund called Berkshire Hathaway.¹⁶

Management consultants have also taken advantage of opportunities during such times. From 1930 to 1940 during the Great Depression, the number of management consulting firms grew 15% annually to meet the demand from giant steel companies wanting to gain an advantage over their rivals by consolidating and reorganising their plants.⁸ In the 1970s recession, both the Boston Consulting Group and McKinsey expanded.⁸

The recession of the early 1990s was the first and, to that point, the only time that modern consulting firms had encountered any significant decline in demand for their services.¹⁷ Subsequently, consulting also suffered following the dot-com bust of 2000.⁸ There are clearly increased competitive pressures on consultancies, suggesting that there are now more than enough consultants to meet demand during a downturn. In the future, consulting is likely to contract in line with the general business environment. However, past experience also makes it clear that there are opportunities for those perceptive enough to see them and agile enough to take advantage of them.

2.2.2 Regulation

Professional services, including management consulting, are a product of regulation and are thus subject to political change according to McKenna.⁸ Examples cited are the Glass-Steagall Act (1933) which separated commercial and investment banking in the USA, and the Sarbanes-Oxley Act and Security and Exchange Commission rules which required due diligence on companies brought to market. In McKenna's view, these changes to the regulatory environment created opportunities which contributed more to the growth of management consulting in the 1930s than the drive to cut manufacturing costs.

The influence of government was also identified by de Burgundy, who observed a pattern in Britain of increased government spending on consulting during periods of recession,¹⁸ while during the Second World War the British government supported initiatives to increase productivity and efficiency in war-related industries, from which consulting benefitted.^{19, 20} Both Germany in the 1950s and Britain in 1968 and 1988 developed public funding schemes to promote the use of consultancies, so that SMEs could also benefit from the best available business advice.¹⁹ More recently, the Sarbanes-Oxley Act and the increased liability of company directors, exacerbated by recent cases of corporate fraud, has encouraged directors to seek professional advice from consultants in order to validate their decisions.⁸ These examples illustrate that the regulatory environment can directly impact consulting and that consultancies benefit by being cognisant of regulatory changes and having the resources to provide solutions when the legal landscape shifts.

2.2.3 Change

Because it can be difficult to identify changes in the business environment as they are occurring, Kipping advises against committing to a single strategy too early.²⁰ Instead, companies should pursue multiple strategies until the successful one has been identified. The experience of McKinsey illustrates this approach – until the late 1950s, McKinsey offered a wide range of services to potential clients; its reputation for high level strategy work developed slowly as it undertook an increasing number of strategy assignments during the 1960s and 1970s.

Conditions in the 1970s seem to have favoured specialisation. McKinsey and Booz, Allen & Hamilton became specialists during the 1970s,⁹ and Arthur Andersen's expertise in information technology was behind its significant growth over that same period.^{8,21}

However, it is worth noting that many specialist firms such as BCG have subsequently expanded their services to compete with the generalist firms. Kipping describes how after establishing a leading position in the 1970s through a focus on strategy, McKinsey later responded to changes in the business environment and broadened its scope through the establishment in 1997 of a Business Technology Office that offered IT-related services.²⁰

Recent factors that have caused transformation of the global business environment include the economic crisis, sustainability concerns and advances in information technology.⁸ The development of the internet has resulted in a fundamental shift in the way business operates and has become increasingly central to management consulting. The rise of information technology has prompted the rapid expansion of a new generation of consultancy services dominated by large professional services firms⁷ such as Accenture and Tata Consultancy Services.

Kipping proposed three 'waves' of consulting driven largely by shifts in the management focus of client companies.²⁰ The first wave required efficiency experts to meet the needs of production centred companies, the second required top level advisors as diversified corporations became the norm, and the third required implementation specialists to assist networked organisations. While these waves overlapped significantly, Kipping noted that the first wave of production-centred consultancies has largely disappeared, and that the second wave is losing market share. He suggested that EDS's purchase of A.T. Kearney was an indication that the third wave consultancies were achieving ascendancy, and wondered whether they in turn would diversify their activities enough to be able to adapt to the next shift in the business environment, or whether a fourth generation of consultancies would materialise. While A.T. Kearney's management buy-out in 2005 brings into question the idea that third wave consultancies are achieving dominance, the analogy does seem consistent with the history of management consulting and provides a useful framework for thinking about the future.

2.3 Management Consulting Today

2.3.1 Current Trends

Writing in 1999, Czerniawska anticipated that demand for consultancy services would be driven by clients perceiving a gap in their intellectual capital, due to the uncertainty and complexity of the business environment: “*consultancy, like nature, abhors a vacuum*” and would quickly move to fill a gap in intellectual capital.¹⁷ Her research suggested that the greatest internal problem facing the industry was the recruitment and retention of the best people, with external changes anticipated as being consolidation, globalisation and an expansion of services driven by the growth of IT consulting. The management of intellectual capital was also seen as important, with the research raising questions of whether it would be freely available in the future and what kind of threat would be posed by the commoditisation of knowledge.

Since the turn of the twenty-first century there has been a significant shift in thinking about the future of management consulting. After twenty years of above average growth, the dot com bust in 2000 led to a contraction of consulting markets¹⁴ followed by another world-wide boom. While Czerniawska’s research in 1999 was inconclusive regarding whether the consulting market would continue to grow, the view in 2001 was that the typical economic boom-bust cycle appeared to apply to consulting, and the outlook for the future seemed to be very much business as usual.⁴

Less than a decade later, we are wondering whether the global economic system itself will survive,¹⁶ and turmoil, not just change, seems inevitable. In a November 2008 survey, 54% of US executives expected their industries to consolidate.¹⁶ A 2006 collection of articles entitled ‘Mastering Uncertainty’ sponsored by Ernst & Young recognised that we are in uncertain times, and while some of the articles suggested ways to tame the volatile environment,²² Barsoux and Bottger questioned whether it was really possible to master uncertainty,²³ and still others believed that we were at a point of discontinuity and called for a new way of thinking.²⁴⁻²⁶

In December 2008, Bryan & Farrell commented that while there is much we don’t know and won’t know for some time, critical decisions still need to be made and the winners will be companies that take a more flexible approach to planning and make thoughtful choices despite the complexity, confusion and uncertainty by assessing alternative scenarios honestly, considering their implications and preparing accordingly.¹⁶ These authors suggest that “*companies that nurture flexibility, awareness and resiliency are more likely to survive the crisis, and even to prosper.*”¹⁶ As Hugh Courtney said, “*in uncertainty lies great opportunity.*”²⁷ Bryan & Farrell suggested that companies should develop better business intelligence with timely information to promote faster decision making, and that they should streamline company structures to clarify roles and enhance collaboration.

2.3.2 Collaboration & Networking

Two themes were echoed by a number of authors when considering current trends in management consulting. The first is a long-term shift in power away from consultants toward their clients, due to increased competition and greater discernment amongst clients.²⁸ This trend suggests that consultancies require internal reorganisation with new ways of motivating staff, of providing training that adds real value, and of recruiting and selecting people that fit their internal culture.²⁸ Niewiem and Richter also see the market turning in the client's favour as they become more selective.¹⁴ Consultancies that do not stand out from the crowd would be the first to fall victim to the decline in profit margins, and greater specialisation would be needed.

The second theme is the growing importance of collaboration and networking, the cause of which is the changing client-consultant relationship.^{17, 29} Consultancies such as Accenture, Deloitte, Ernst & Young, KPMG Consulting and PricewaterhouseCoopers are increasingly forming alliances with competitors and strategic partners to meet the needs of the clients, a change that is being driven by client request.³⁰ In the case of McKinsey, deep relationships with senior management were identified as instrumental to its success, resulting in executives unquestioningly turning to McKinsey time and again.³¹ Buono notes that management consulting is increasingly being delivered via a network of relationships,³² and Jeans suggests that medium-sized consultancies that are networked together could compete on equal terms with large consultancies.¹² Bughin, Chui and Johnson pose the question of whether the open-source movement (specifically, the development of products and services through community collaboration) will have an impact on the consulting industry: *“the creation of knowledge, products and services by online communities of companies and consumers is still in its earliest stages. Who knows where it will lead?”*³³

2.4 Over the Horizon

Concern about the future of Planet Earth has increased over recent years, and significant effort has been put into identifying the changes we must make in order to secure our long-term future. Climate change has become a popular political topic, but technological change is also part of the picture and the international financial turmoil of 2008 has highlighted the impact of financial systems upon any future scenario.

2.4.1 Economic System

In his 1990 book *The Borderless World*, Kenichi Ohmae, the co-founder of McKinsey's strategic management practice, closed with a manifesto that called for a new world economic order based on an 'interlinked economy'.³¹ The global capital markets as we know them evolved over 35 years following the breakdown of the 1944 Bretton Woods Accord, but abuse from greed, neglect and ignorance has resulted in some of its basic mechanisms being broken and means that today's financial system itself needs to be significantly repaired.¹⁶ Ian Davis in his 2009 article 'The New Normal'

believes that “*we are experiencing not merely another turn of the business cycle, but a restructuring of the economic order*” which would lead to significantly lower levels of leverage, an expanded role for governments and the risk of financial protectionism. This new environment would still provide rich possibilities for those who are prepared.¹

2.4.2 Global Challenges

Humanity today is faced by a wide range of complex challenges.³⁴⁻³⁷ One of the most comprehensive studies is documented in *Sustainable Technology Development*,³⁸ which considers three dimensions of unsustainability: pollution, depletion; and encroachment. Having factored population and income growth into the analysis, the global demand for eco-capacity in 50 years’ time was shown to outstrip supply by a factor of between 2 and 20. In developed countries, this mismatch was of the order of 10 to 50. In order to survive, emission of pollution and consumption of resources would need to be reduced by between 5% and 10% of current industrialised society levels. *Sustainable Technology Development* places an emphasis on encouraging innovation to achieve this reduction. Such gains will not come about through the incremental improvement of existing technologies, nor will they come about without a conscious, concerted and focused effort on the part of government, business and societal groups to tackle the issues strategically and systematically.³⁸

Despite population growth rates slowing by the end of the twentieth century,³⁹ a global population of between 7.3 billion and 10.7 billion would be expected by 2050 with nearly all of the growth occurring in poor countries. Portney notes that while developed economies are likely to take more care of their environment, the developing world poses a real threat.⁴⁰ As middle classes grow, the demand for cars and electricity increases creating a pollution intensive period which is eventually overcome as incomes continue to increase and people demand a better environment.

2.5 Summary

Management consulting provides a service to senior executives and is therefore dependent upon other organisations for its existence. Consequently, changes in the business environment including the economy and government legislation can significantly impact upon the quantity and scope of consulting work. These changes provide opportunities as well as threats, since historically, consultancies have grown during recessions more often than they have declined.

This research project seeks to gain insight into the changes ahead for the management consulting industry. There appears to be a shortage of published work on management consulting,¹⁰ and the literature search did not find any material discussing the impact of the current international financial crisis upon management consulting. Primary research has therefore been a key part of this project. Interviews with members of the consulting industry and executives of organisations who use consulting services were conducted in order to understand the current state of management consulting and gain insight into what the future may hold.

3 Research

3.1 Objectives

Given that the literature search revealed little insight into the future of management consulting, interviews became vital to this project and helped to clarify and influence my thinking. The objective of this stage of the project was to speak with experienced consultants and senior executives about the current state of consulting and their expectations for its future.

3.2 Methodology

Primary data was collected through qualitative interviews, with participants selected on the basis of their expertise gained in current and previous positions. A range of experiences was sought, including both management consultants and business executives, in order to provide opinions on consulting from multiple viewpoints. A semi-structured interview technique using open-ended questions was chosen to facilitate dialogue and allow the freedom to explore responses in depth.

Requests for interviews were sent to 23 people, with 13 meetings being arranged. The small number of interviews may mean that the views expressed here do not represent consulting as a whole. However, the quality of the participants was high, comprising nine management consultants and four executives. Of the 13 participants, 3 were CEOs, 1 was a partner and 6 were directors. Many of the major consulting firms were represented including McKinsey & Company, Deloitte, PricewaterhouseCoopers, Ernst & Young and Accenture, with previous experience also covering The Boston Consulting Group and KPMG Consulting. Geographically, the interviews comprised respondents based in New Zealand, Australia, the USA, France and Singapore. This project takes a global perspective rather than focusing on the New Zealand consulting industry and with that in mind, although 60% of the interviews were undertaken locally, almost every respondent had international consulting or management experience.

Despite the small sample size, this group appeared to have the desired broad coverage. The depth of experience was especially pleasing, with many holding a strategic role. Due no doubt to the emphasis on interviews with senior people, the age range of the participants was limited with over half being in the 40-49 year age bracket.

Expanding the research phase would undoubtedly have led to further interesting insight and is an obvious next step in extending this research. It would be worthwhile to continue interviewing senior consultants and executives, but it would also be interesting to include a greater number of young consultants who are perhaps more idealistic and less pragmatic, and to determine whether age results in any consistent difference in perspective.

Due to the semi-structured methodology, responses have proven valuable even when expressed by just one person. It would be worthwhile for a future project to identify a specific subject, such as thought leadership, or open consulting, or the influence of cultural perspective, and undertake additional primary research on a more narrowly defined topic.

3.3 Results

The key findings from the interviews can be grouped under four broad themes: the role of management consulting; the future of management consulting; networking and virtual teams; and the impact of change. This section reports on the interviews, with discussion to follow in §4.

3.3.1 Role

Put simply, management consultants are paid to identify problems and propose solutions. In the words of one respondent, *“consultancies are essentially made up of highly intelligent people who solve problems. They get work from highly responsible people with money who can’t solve problems.”* Consultants bring with them leading edge thinking, an external perspective and experience gained by working across multiple companies. As one person said, *“the value of a consultant is that they get to see a lot of different clients and are more in contact with what’s really happening in the industry.”*

Many respondents emphasised that consulting is a commercial business; that consultants will *“follow the money”* and that their role is to provide the services that their clients are requesting. Consultancies *“survive and make money over time by providing advice and services that are valued by clients.”*

The process that leads to innovation in business knowledge and practice was discussed in a number of interviews. New business ideas originate in an essentially parallel process of both innovative business people trying new things, and reflective thinkers wrestling with challenging issues. These ideas are introduced to the broader business community by the leading consulting firms, who play a vital role in turning thought leadership into practical application. In the words of one respondent, *“good management consultants turn those academic ideas into something that is more practical.”*

3.3.2 Future

The future will continue to see demand for consulting services, according to both consultants and executives. Some were expecting this demand to grow as companies grapple with an increasing pace of change and a more complex operating environment. As one person noted, *“businesses will always have problems, so the top consultants who are good problem solvers will still have a job”* while in another interview, *“the organisations that make the world successful need good answers to their questions. They get to the point where the answers aren’t available within their organisations.”* An executive commented that even having all the answers wouldn’t mean that he doesn’t need consultants, because *“consultants contribute a fresh pair of eyes. The things I get wrong are the things I’m sure I know, because if I don’t know I’ll always check.”*

One respondent cautioned however that “*an advantage the consulting firms brought in the past was information and access to IP. Some of that has disappeared with the internet, it’s easier to access that information.*” She gave the example of a manager who introduced a new framework into his business simply by getting the necessary information online, and did a good job of it. This experience echoes the following quote:

*a considerable part of the job of consultants consists of gathering and analysing data and building models... Management today has much better access to sources of external and internal information than 10 years ago... With resources such as sophisticated knowledge management systems and data drawn from the Internet, companies are becoming less dependent on insights provided by consulting firms.*¹⁴

Apart from this factor, no-one foresaw any impending change in the role of consulting. While they were obviously aware of the significant impact of the current “*restructuring of the economic order*”,¹ none of the respondents thought that management consulting would be significantly different over the short- or long-term. This sentiment was expressed by one person as follows: “*in the end, it’s ‘what is the problem, and how will we solve it?’ The problems will change because of the environment, the fixes will change with technology. But ‘what’s the problem, and how are we going to fix it’ remains fundamental.*” Consultants are experts at identifying problems and finding solutions, and “*the nature of problem solving is not changing.*”

3.3.3 Networks

The role of consulting may not change, but the delivery mechanism might; consulting services delivered over the internet are an example.¹⁷ As was noted in the literature review, a number of participants thought that networking and partnerships were growing in importance, with one respondent saying that

consulting services may be delivered more through networks of independent experts. Collaborative consulting will become bigger – this is where a multi-disciplined approach is taken e.g. the consultant might be working with a developer and a business manager.

An executive agreed, saying that “*corporates will increasingly look to their partners – communications, compliance, strategy.*” Another described how an industry association allowed its members to post questions to an online forum, where other members could offer solutions either free of charge or for a fixed fee – essentially ‘open consulting’. These comments resonate with Czerniawska,¹⁷ who notes that new channels resulting from the internet and other forms of networked intellectual capital may pose a threat to the consulting industry in its traditional form.

One respondent suggested that knowledge creation may become a specialised task, and that

you might see a spot market develop for knowledge. Consumers of knowledge would need to be very specific about what they wanted. ... But actually mining the data, crunching numbers, correlating it is time consuming and lends itself to a market approach.

Along with networking, the respondents reflected upon virtual teams. One felt that the “*virtualisation of organisations will include consulting partners,*” but another thought that “*consulting won’t become more virtual,*

the delivery mechanism won't change, because face-to-face interaction is vital." This response agrees with Jeans,¹² who believes that *"clients will still want to see a consultant's face."* A number of people noted however that *"technology does make it easier to tap into experts world-wide. It will become common to bring together teams from various companies to work together on a project."*

3.3.4 Change

Although the role of, and prospects for, consulting were seen as remaining relatively stable, the future itself is uncertain with global markets currently undergoing financial upheaval and mounting concerns about the environment. The global recession may be severe, but the people I interviewed saw this as part of a normal business cycle that has happened before and will happen again. However, environmental issues such as population growth, climate change and resource depletion are of a different nature and could well lead to a tipping point from which the earth may be unable to recover.

As an indication of shifts in the business context, Ernst & Young is expanding its public services practice in response to increased government regulation, and Deloitte and PwC have both opened sustainability practices. In addition, one respondent said that *"I think the world will be fundamentally different in the future. ... I think we're already seeing that, by consultancies recruiting people with a wider range of skills."* However, many firms are simply trying to survive,⁴¹ and remaining solvent will take priority over caring for the environment⁴² because, as two respondents noted, *"sustainability is lower on a Maslow's hierarchy of needs-type scale."*

In the interviews, I explored the question of whether consultants had a responsibility to use their influence with executives to promote sustainable business practices. The consistent reply was that while this is a noble sentiment, consultancies are businesses driven by commercial imperatives and they must do what's best for their consulting business, which means providing the services that their clients request. To do otherwise is to confuse the role of the consultant with that of other organisations such as think-tanks or governments. Businesses hire consultants to solve their problems, not to be their conscience.

While the respondents did not see the role of consultants as being a 'business conscience', they did highlight the market philosophy that executives will protect the long-term interests of their firm. They were confident that the 'invisible hand of the market' would ensure that priority is given to non-financial considerations provided they were necessary for eventual financial gain. As one person said, *"irrespective of the issue, if it becomes a big concern then people will figure out a way to make money out of it. And once money can be made, then people will take an interest."* This effect can be observed today by the growth of the electric vehicle and bio-fuel industries. Where this is not sufficient to protect society or the environment, or where it appears that the world will reach a tipping point before the commercial incentive to find a solution becomes attractive to businesses, then it is the responsibility of governments to regulate industry. In all of this, my respondents assured me, the role of management consultants remains to solve the problems given to them by their clients.

4 Discussion

Throughout this section, it is important to keep in mind that the objective of this project is to provide insight into how management consultancies can prepare themselves today to take advantage of opportunities that will appear tomorrow. This requires a long-term view and necessitates consideration of future scenarios, but the purpose of thinking about the future is to identify steps that can be taken immediately to prepare rather than argue that a specific scenario will occur.

4.1 Research Findings

The objective stated above contains the underlying assumption that change is needed within the consulting industry. However, the primary research findings present the clear conclusion that consulting doesn't need to change because its nature is such that it will cope with any future. In the view of the respondents, the *role* of management consulting is not undergoing the fundamental transformation that is being experienced in the business environment, a point to which I will return in §4.5. The key messages from the interviews can be summarised as follows:

- management consultants will continue to be in demand, because executives will always face challenges;
- the essence of management consulting is not changing: the fundamental question is, and will continue to be, *“what's the problem, and how will we solve it”*;
- leading consultancies play a special role in identifying innovative business thinking and converting it into practical business advice;
- being a business, a management consultancy won't succeed if it pushes an agenda that doesn't support its financial interests; for example, it isn't the consultant's role to take the lead in issues such as sustainability and climate change.

In the following sections, I reflect further on the implications of these findings and on what they mean for management consulting. The interviews included discussions concerning the intersection of management consulting and global change which provided much scope for further study. While it was not possible to investigate all of the topics raised, a selection of the issues is explored in the remainder of this section.

Section 4.2 provides a discussion of the investment cycle of a management consulting firm which gives definition to the concept of 'long-term.' The process by which business knowledge is created and enters general practice is then considered, along with the role of paradigms and ideas with the specific example of multiple-stakeholder orientation and its impact on the bottom line.

4.2 Investment Cycle

4.2.1 Long-Term

This research considers the long-term future of consulting. An horizon of 2050 was presented in the interviews to deliberately shift the focus beyond the immediate concerns and issues that confront us today, although it is accepted that few of us would be bold enough to predict what the world would be like in four decades time since “*history shows that much can change, expectedly or unexpectedly, over short periods*”.⁴³

The definition of ‘long-term’ is established by the length of the investment cycle. A respondent explained that strategic planning requires a long-term view, but the actual length of time that constitutes long-term is dependent on the industry’s investment cycle. For example, the energy industry uses 2050 as a reference year for long-term thinking,⁴⁴ as decisions made today to invest in new generation or production capacity have an impact on the business for the life of that asset. It would therefore be rational for an energy company to consider the world of 2050. By contrast, a high-tech company may be dealing with a product life of only six months. Its investment cycle is so short that it is irrelevant to try to imagine the world in even three years’ time. The high-tech business knows that technology and consumer tastes are going to change, and that it can adapt rapidly by hiring new staff or using new technologies or developing new products. In contrast to the energy company’s 40 year horizon, the high-tech company’s planning cycle reflects a one to two year investment cycle.

4.2.2 Expertise & Resource

The respondents consistently said that the consultant’s expertise in identifying a problem and finding a solution will remain in demand irrespective of the changes that occur in the business environment. This skill is the hallmark of a consultant, and in this respect, consulting will not change in the future.

At a practitioner level, however, consulting will be very different in the future. We live in a world where technology is constantly evolving, new ideas and approaches to business are continually appearing and the regulatory environment is changing. Consulting is already running just to keep up. It is important to identify the nature of the change that we are talking about by clearly differentiating between consulting skills and fundamental abilities, or as one person said, “*there’s a need to separate long-term systemic issues from issues specific to the current time.*”

This suggests that the investment cycle of a management consulting firm has two components: the consultant’s expertise, and the consultancy’s investment in people. A new technology, or a new business model, or new government regulations may require new expertise and hence the up-skilling of consulting staff. Developing the ability to add considerable value may take a year or two, but can be done quickly enough to satisfactorily react to unanticipated change. Certainly, the closer a firm is to the ‘thought-leaders’ and the more accurately it anticipates a change, the better the firm will fare.

Nevertheless, consultancies should not be surprised by unforeseen developments and should expect to provide professional development that addresses such changes.⁴⁵

The second aspect of the investment cycle relates to the consulting firm's primary assets – its investment in people. At times, change is so fundamental that it requires a different skill-base or resource mix, as occurred in the 1990s when the rise of IT-based networks led to an increased need for technical staff and a higher junior to partner ratio.²⁰ In management consultancies, there is the opportunity to adjust the resource mix in perhaps 5 to 10 years, since as one respondent argued, *“you're always going to have churn because of up-or-out policies.”*

While the up-skilling of consultants can occur relatively quickly, changing the mix of the talent pool cannot. Fundamental change requires reconsidering the mix of people in the firm, and thus a planning horizon of 10 years.

4.2.3 Diversification

Czerniawska warns that the larger consultancies have grown to a size where their investment in office networks, infrastructure and people means that they will find it difficult to quickly realign their internal organisation in the face of change.¹⁷ If we were to consider a 40 year horizon, we could visualise a scenario of catastrophic climate change resulting in consultancies requiring more expertise in geography or the social sciences than in technology. Or perhaps the free market may collapse requiring government to take control of commerce, in which case consultancies would require more staff with political skill and connections. Generation Y entrepreneurs may well expand their enterprises to the point where consultancies need to start thinking in the dominant paradigm of a new generation. In these cases, the mix of consultants in a firm may need to change significantly.

Having established that a consulting horizon of 10 years is appropriate, the above scenarios may be unlikely to occur fully within that timeframe but they could well be underway. When the level of uncertainty is such that a wide range of future outcomes is possible, diversification strategies are usually less risky than focused strategies.⁴⁶ Brown and Eisenhardt make the observation that *“the dilemma of strategy in an uncertain, changing future involves balancing between the need to commit to a future while retaining the strategic flexibility to adjust to the future.”*⁴⁷ Beinhocker similarly encourages an ‘adaptive mind-set’ which treats strategy as a portfolio of experiments, rather than a single plan based on predictions of the future.⁴⁸

The smart consulting firm will be prepared to ride the new wave of opportunities and in such times, a consultancy may enhance its capability to respond quickly to changes in the business environment by diversifying its workforce and recruiting from a wider and more heterogeneous catchment pool,²⁸ a move that one respondent confirms is occurring in at least one major consulting firm. Another respondent said that *“the people that are being recruited as consultants are generally recruited because they're good at business. They may or may not be trained for, or even adaptable enough to deal with, the emerging world where society needs to deal with some of these interactions [between the economy, society and the environment].”* Czerniawska discusses the question of specialisation and concludes that *“while greater specialism may*

*resolve difficulties in some areas, it will inevitably exacerbate others ... flexibility is essential to the consulting industry.*¹⁷ She warns that the first step is to recognise that this is a problem.

It is essential for management consultancies to think about 2020 and the resource mix that they will require over that timeframe. An executive observed that “*a lot of consulting companies are very good at what they do, but they don’t step back and do the strategic planning that they’re trying to convince their clients to do.*” The following sections outline two topics that may impact upon the resource mix of a consulting firm.

4.3 Thought Leadership

4.3.1 Business Knowledge Creation

The foremost consultancies have a unique role to play in introducing leading edge thinking to the business world. Rather than simply reacting to changes as they occur, they are actively involved in the innovation process through their research and close association with academia.

The manner in which knowledge becomes business practice can be generalised as follows. The starting point is the development of a new idea, which may originate in the academic world where business thinkers are grappling with issues, or studying particular phenomena, or responding to situations that they see in business. The research units of large consultancies will also be contributing to this development of knowledge, as will think-tanks and other scholarly bodies. In addition, innovative companies are trying things in the real world, some of which are effective. The interplay of reflective thought, research and practice then produces new business knowledge which is acquired by the leading edge management consultants. The important role that consultants play is to convert the idea into a functional model or tool, create a language to describe it and introduce it to their clients. As the new practice is evaluated by the market and studied further by researchers, fast follower consultants pick up the trail and introduce the concept to a broader audience. If it continues to prove effective, it will form the basis of a best-selling book which will be taught at business schools and become common knowledge.¹⁷

4.3.2 Interface of Theory & Practice

Consultants play an important role at the interface of theory and practice through this process. Those consultancies that aspire to be leading edge need to foster their links with the research function so that they have the opportunity to keep ahead of their competitors. The role of academic research will remain critical in the business knowledge process, irrespective of the strength of a consultancy’s own research department, as universities provide an opportunity for unbiased critique and for wrestling with problems that may appear to have little relevance but yield useful outcomes. While there is widespread criticism of the value of business schools in the popular press,⁴⁹ and even from within academic ranks,^{50, 51} quantifying the value to consultancies of a relationship with

universities was out of scope for this project; however, it is significant that a number of those interviewed considered the link with academia to be important which suggests that the relationship does provide value.

The contribution of practitioners in this knowledge creation process can also be significant. In many cases, academic thinking is simply reacting to business conditions or innovations that are already in the marketplace. For business people, responding to the market is a daily reality, not an academic exercise. Entrepreneurs, particularly those without formal training, may attempt something exceptional because they haven't been taught otherwise. Innovators want to find a better way. The experiences of practitioners and the ideas that work well also fuel the business knowledge creation process. One respondent expressed this dynamic as follows:

there is some stuff happening in businesses that gets transferred out by consultants. There is some stuff that is learnt by clients and consultants working together. By and large, that stuff hits the academic world about the same time as it hits the fast followers. A lot of what you see in the academic world is drawing on what is happening in the 'real' world. It's a parallel process.

The relationship with universities could be formed through teaching positions or partnership with business schools, and many consultancies have taken this route.²⁰ Most universities would welcome the financial input that these partnerships may provide, for example through sponsorship of chairs or scholarships. The association should be structured to be beneficial on many levels, with academics gaining better insight into the business world, students receiving practical input and the consultancies having access to academic thought and the best students.^{52, 53}

In addition to fostering a close association with leading business schools, consultancies would benefit from deliberate engagement with innovators and entrepreneurs and should seek to encourage these links. At the practitioner level, new ideas may come through the consultant's normal course of work as an executive advisor, or through other channels such as alumni networks or board involvement. Feedback from a consultancy's clients should be considered carefully, and business mentoring and entrepreneurial sponsorship would provide further opportunities to identify new thinking.

4.3.3 Knowledge Providers

The business knowledge creation process could conceivably undergo a transformation and be outsourced to specialist knowledge providers, as suggested in one of the interviews and also by Czerniawska.¹⁷ Semadeni examines management consultants as 'knowledge arbiters' who span national and cultural boundaries to capitalise on the arbitrage of knowledge from one country or culture to another.³² One respondent speculated that knowledge may become a commodity that, whether developed by a university, an in-house research unit, a specialist knowledge provider or an independent researcher, could be sold on a spot market which determines its value and ensures its quality. But regardless of the mechanism, consultants as consumers of business knowledge and manufacturers of management tools should be expected to play an important role in introducing new business thinking to management. The choice for consultancies is whether to make the necessary

investment to remain amongst the ‘thought-leaders’ and therefore at the forefront of new thinking, or whether to adopt a fast follower strategy with training policies that enable the rapid up-skilling of their staff.

4.4 Idea Leadership

4.4.1 Dominant Paradigm

While the notion of being a ‘thought-leader’ sounds attractive, I would like to take this further by suggesting that there is a place for those willing to be ‘idea-leaders’. Thought leadership involves the progression and evolution of business thinking. Idea leadership involves challenging an accepted paradigm.

The concept of idea leadership was prompted by Rick Boven’s doctoral thesis, *Choosing Your Future: The Role of Ideas in Managing the Trade-Offs between Economic and Environmental Objectives*.⁵⁴ Boven suggests that greater progress can be made towards both economic and environmental objectives by being deliberate in our choice of paradigm, because dominant paradigms provide default assumptions that impact decisions. As an example, the economic system is based upon consumption, which was originally considered to be the satisfaction of need but which in nineteenth century America was redefined as being the satisfaction of desire. There would be significant impact upon the economy and the environment if it were accepted that “*the most desirable luxuries are those that money cannot buy, involving not so much possessions as social relations*”⁵⁵ or if, as Boven contemplates, the dominant value of the maximisation of consumption is replaced by something such as the maximisation of sustainable well-being.⁵⁶

4.4.2 Alternate Paradigm

The dominant paradigm is dominant because it has worked, but it is not necessarily the most appropriate for long-term benefit.⁵⁶ However, it affects our thinking because the conclusions that we reach are often dependent upon our assumptions, with human cognition studies showing that at least 80% of the information that the brain works with is already in the brain.⁵⁷ Nevertheless, by framing the question in a different way, we may be able to see past those assumptions to a better solution.

An ‘idea-leader’ will present a concept which challenges the dominant paradigm by framing the question differently. It could well be the case that an emerging idea which challenges the status quo may threaten existing income streams (for example, open-source software or the moderation of consumption for the sake of the environment⁵⁶). However, over time, significant growth opportunities would arise for the ‘idea-leader’ if the idea anticipates a fundamental change that comes to be accepted by the business community. Interestingly, one respondent suggested that increasingly “*new ideas are coming from smaller independent consultancies that are across multiple businesses, that are starting to*

see trends and patterns.” The risks of idea leadership are greater than of thought leadership, but the ‘idea-leader’ is still driven by the commercial imperative and stands to gain significantly if successful. As Courtney advises, “*sometimes the only way to capture first-mover advantages and become a market leader is to make such commitments despite high levels of residual uncertainty.*”⁴⁶

4.4.3 Multiple-Stakeholder Orientation

Consideration of the needs of multiple stakeholders provides an example of an opportunity for idea leadership. This subject has been variously termed ‘stakeholder theory’,⁵⁸ ‘socio-political awareness’,⁵⁹ ‘triple bottom line’,⁶⁰ and ‘synergy-orientation’,⁴² but in this paper will be referred to as ‘multiple-stakeholder orientation’. In contrast to a multiple-stakeholder orientation, a dominant paradigm of the corporate world is that the social responsibility of business is to maximise profits.⁶¹ This view has been challenged in recent years, but the accepted objective of business remains the maximisation of shareholder value.

There is growing concern that our global lifestyle is unsustainable and is likely to lead to a tipping point or overshoot crisis where the effects on the environment cannot be reversed.⁵⁶ I had expected environmental issues to be high on the list of changes that could impact upon management consulting over the next four decades, and wondered what role management consultants should play in the debate over consumption versus the environment.

When asked this question during the research interviews, the respondents were adamant that management consultants do not have a responsibility to take the moral high ground. They said that if clients are not asking for such advice, then pushing an eco-agenda will simply result in work being lost, and consequently the ability to have any influence would be forfeited. The respondent’s view was that when any issue becomes a large enough problem for businesses, clients will ask for advice and management consultants will happily “*follow the money,*” but until then the responsibility for raising environmental awareness lies with special interest groups and action lies with governments.

4.4.4 The Bottom Line

The consistent view of the respondents, which reflects the dominant paradigm, is that the responsibility of business is to increase shareholder value. However, the environmental imperative deserves further consideration. The question of shareholder versus stakeholder value has been debated for many years, and there appears to be a growing call for some kind of multiple-stakeholder orientation based upon two arguments.⁵⁴ The first is the growing influence of indirect stakeholders,⁶² and the second is the growing evidence that social responsibility can provide a competitive advantage which translates into improved financial results.⁵⁹

Firstly, in considering the influence of indirect stakeholders, a 2008 McKinsey Quarterly survey identified that an overwhelming majority of respondents acknowledged a wider role for corporations than simply maximising investor returns.⁶³ Bonini et al. recently discussed the influence

of NGOs, community activists, online networks and other indirect stakeholders on corporate reputations, commenting that “*these proliferating indirect stakeholders have tasked business with a broader set of expectations, such as making globalization more humane and combating climate change, obesity, human-rights abuses, or HIV.*”⁶² These expectations have a tangible impact,⁶⁴ as certain banks have discovered: after being criticised for making loans to companies that damage the environment, several banks have pledged to restrict lending to such companies.⁵⁹

Secondly, there is evidence that social responsibility can improve financial results. A global survey of CFOs, investment professionals and institutional investors showed that “*solid majorities of respondents expect environmental, social, and governance programs to create more value in the next five years.*”⁶⁵ In the article ‘When social issues become strategic,’ the argument is presented that while companies have always had a contract with society, a company’s sources of long-term value are increasingly affected by expectations among stakeholders regarding the social role of business.⁵⁹ This article makes a key observation: systematically incorporating an awareness of socio-political issues into a business’s core strategic decision-making processes presents an opportunity that can confer a clear strategic advantage.

The purpose of considering a broader range of stakeholders is not to be altruistic, but to gain a competitive advantage. There is increasing acknowledgement that considering the needs of multiple stakeholders presents an opportunity rather than a risk.⁶³ As an example, *BusinessWeek* reports that Nike has a number of sustainability initiatives in place including waste minimisation and the addition of recycled plastic in the soles of Air Jordan basketball shoes, but that these are designed to save money as much as to save the environment – in fact, Nike chooses to downplay these green credentials for fear that it will harm their brand.⁶⁶

Despite these encouraging signs, there are many barriers to the widespread adoption of a multiple-stakeholder approach. One respondent emphasised that trying to incorporate social measures into a business, as frequently occurs in state-owned enterprises, simply causes confusion. He said that

in business, the fundamental purpose is maximising shareholder value. You don’t need to discuss it. But in a more societal setting, the first thing you need to do is agree on the purpose. ... If businesses have to pursue some combination of economic and social goals, that’s a complicated process. ... I’d much rather leave businesses to maximise shareholder value, and regulate the markets so that they can’t behave in ways that damage the environment.

Boven argued that “*individuals and opinion leaders must take the lead in promoting policies to prevent environmental damage,*”⁶⁷ but pointed out that even with the best of intentions, it is not possible to give equal weight to competing requirements and that “*in circumstances where a tradeoff must be made, the shareholders come first.*”⁴²

It is admittedly a difficult task to juggle multiple bottom lines, and this may encourage moves to express the impact of diverse objectives in accounting terms as the Global Reporting Initiative is attempting to achieve.⁶⁰ Monetising environmental and social objectives in a similar manner to

intangible assets such as goodwill, trademarks, patents and intellectual capital would eliminate the dilemma of competing objectives and increase the possibility of realising value from such initiatives.

Although the perceived importance of corporate environmental and social programs has soared in recent years, the current economic pressure has lowered their priority,⁶⁵ and businesses will not necessarily undertake profitable environmentally sound projects because their efforts are focused on “*the most important profit opportunities*,”⁵⁴ that is, activities that offer greater short-term profit. In addition, most senior leaders are comfortable with facts and figures, but lack the statesmanship needed to foster relationships with various stakeholders such as NGOs that trade in emotional arguments.⁵⁹

Despite these obstacles, there is also an opportunity cost to ignoring multiple stakeholders. It is interesting to note that 76% of the Deloitte/Unlimited Fast 50 Growth companies in New Zealand are undertaking ‘green’ programmes simply “*because it’s the right thing to do*”.⁶⁸ Bonini et al. notes that “*few companies get involved in a socio-political debate at the stage when they might be at risk for being ahead of the curve. The prevalent risk is not getting involved early enough.*”⁵⁹ The economy cannot remain indefinitely as an excuse for neglecting a firm’s responsibilities, and eventually managers will need to address the multiple-stakeholder issue. Regardless of the way in which the business shift towards environmental and social objectives occurs, the impact on the consulting industry is that “*consultants will be increasingly required to operate within a subject space that includes multiple objectives.*”

4.4.5 Perspective

Changing a dominant paradigm is no trivial task, but as with resolving an apparent paradox, the starting point is to view the problem from a different perspective. A ‘structural break’ in the economy provides the perfect opportunity to exploit emerging patterns,⁶⁹ which in the case of multiple-stakeholder orientation is the groundswell of concern for environmental and social issues. ‘Idea-leaders’ will help their clients to respond to environmental and social pressure in a strategic manner that also maximises shareholder value,⁷⁰ perhaps through ‘enlightened self-interest’ which leads to long-term orientation,^{58, 71} rather than viewing it as a trade-off between the environment and profits.

One of the respondents observed that management consultants are in the best position to convincingly show the impact on the balance sheet of environmental initiatives, saying that “*I don’t think management consulting will be altruistic about it, but I think there is significant market opportunity to produce the results that show the impact of environmental practices.*”

A paradigm shift will occur when the incorporation of environmental and social imperatives can be shown to confer long-term financial benefits and provide a strategic opportunity. An ‘idea-leader’ who can successfully and repeatedly demonstrate these benefits would be well placed to see his or her consulting services becoming highly sought after and his or her firm develop into the leader of a business movement.

There is scepticism over consulting firms who “*occasionally believe they can operate as market-makers in ideas, herding sheep-like clients to a future that only they can fully grasp.*”⁷² This is certainly not the intention of idea leadership, but neither is it the intention to wait until the future has arrived before advising clients of the best way forward. The ultimate objective of idea leadership is to identify a fundamental concept that is waiting to happen, and provide the additional impetus needed to set it in motion. As Victor Hugo said, “*an invasion of armies can be resisted, but not an idea whose time has come.*”⁷³

4.5 Summary

4.5.1 Multiple-Stakeholder Orientation

Once seen as merely a publicity stunt, sustainability is increasingly acknowledged as having a direct impact on the bottom line. Surviving the current financial crisis is the primary concern of many firms today, but as the global economy recovers, the ‘new normal’ will see environmental and social concerns given greater priority in the hierarchy of business needs. Executives will increasingly be faced with the obligation to measure and account for the requirements of multiple stakeholders and, at least initially, will attempt to do this by monetising and identifying the financial impact of these intangible factors. The emerging carbon market is a recent example, and figures representing energy footprint, resource usage and social benefit will one day join other intangible assets such as brand value and goodwill as accepted components of the balance sheet.

An holistic imperative to maximise multiple-stakeholder value may eventually replace Friedman’s dictum that the only responsibility of business is to maximise profits. It is more likely, however, that the single priority of maximising shareholder value will be retained, but that shareholder value will be redefined by a multi-generational perspective leading to the incorporation of environmental and social objectives. As the true environmental and social cost of business activities is increasingly recognised, the financial benefit of minimising harm will become more apparent. The odds of success seem much greater if the motivation for corporate social responsibility is to gain competitive advantage which improves the bottom line, rather than to achieve compliance with an externally mandated requirement.

It is clear that executives are facing a future that involves managing and reporting on a range of unfamiliar topics. On one hand, executives will be trying to turn these soft disciplines into hard numbers, while on the other they will be communicating with stakeholders who are more familiar with emotional appeals than with cold facts. When facing unfamiliar territory, expert assistance and advice can be indispensable, and consultants who are able to deliver will be well placed to benefit from these changes.

4.5.2 Horizon

The strategies employed by management consulting firms to meet the changing needs of executives should reflect an investment in both skills and people. By correctly anticipating a shift in the business environment, a consultancy will be able to gain the advantage by being the first to offer its clients quality advice in the new context. Consultancies can achieve a market-leading position by remaining close to the ‘thought-leaders’ of the business world through a combination of in-house research, the fostering of complementary links with the foremost academic institutions and collaboration with their most innovative clients. Remaining at the forefront of business thinking will in turn increase their chances of correctly anticipating and benefiting from new trends, despite the reality that the pace of change is rapid, the level of uncertainty is great and the appearance of new developments may come from unexpected directions.

For those without the desire or resource to be amongst the leaders, a fast follower strategy may prove a cost-effective way to reduce risk. In uncertain times, it would be advisable to foster a diversity of skills as opposed to a narrow specialisation in a particular technology or emphasis, as a broad skill base will facilitate a quick response to any new situation. Should a consultancy be caught unprepared by a business trend, a broad base of consultants and a one to two year investment cycle for skills development means that the advantage conceded will be minimised.

The current business environment indicates that employees bringing a diversity of thinking would serve a consultancy better than a homogeneous talent pool. While the up-skilling of consultants can occur relatively quickly, changing the resource mix may take a decade. Strategic decisions therefore need to be made today regarding a consultancy’s primary investment in people over the next 10 years. Since executives will require greater social awareness, so will consultants; those with capability in the sustainability and environmental space will be needed in growing numbers, in addition to staff with political expertise to deal with increasing government involvement in the markets.

The delivery of consulting services may move toward a more collaborative model, following the growing emphasis on networking, ‘open’ movements and internet-based delivery channels. The next 10 years will not be business as usual, and while fundamental change of this nature is unlikely to affect consultancies equally, both large and small firms should expect to make adjustments to cope with the changing business environment and will need to carefully consider their strategy and the resource mix that they will require over the next decade.

4.5.3 Change

We return now to the question of change within management consulting. As already noted, the interview participants did not agree with the assumption that fundamental change is needed within consulting. The consensus was that consultants are familiar with a changing environment, and that they are well equipped to cope with an uncertain future. However, this report argues that we need to think more deeply about this question. In an interview with *The McKinsey Quarterly*, Adam Werbach said that

*anyone who believes that the next 10 years isn't going to be much more traumatic for the world than the last 10 years, the next 50 years much more traumatic than the last 50 years, I think is fooling themselves.*⁵

While there was no disputing the view that we are in a time of upheaval and that the pace of change is accelerating, the people I interviewed saw this as part of a normal business cycle. It is a valid argument that bad times will be followed by good, that the fundamental role of management consultants as problem solvers is not going to change, and that consultants are good at responding to new requirements from their clients. But this report questions whether these views provide the complete picture, or whether the cyclical perspective might be influenced by 'group-think' or a dominant paradigm to the extent that consulting will be blinded to the fourth wave suggested by Kipping.²⁰

The findings from the primary research may be more reflective of a business school approach based upon what Bennis & O'Toole term the 'scientific model',^{#,51} and it may be that the consistent response during the interviews is more reflective of a consistent background in management and consulting. Perhaps this is just the way people trained in business think and is indicative of the suggestion made by one respondent that

the people that are being recruited as consultants are generally recruited because they're good at business. They may or may not be trained for, or even adaptable enough to deal with, the emerging world.

As argued in §4.4, there are changes coming that will require new skills from management consultants and new capabilities within their consultancies, and it will be an advantage to be able to draw upon multiple perspectives and experiences. There may be catastrophic change ahead if the world reaches a tipping point. Or the market may resolve the problems that are currently being faced and we may experience continued growth over the next century. But irrespective of what happens next, either extreme represents significant change and more than the status quo will be needed to take full advantage of the resulting opportunities.

[#] In their article 'How business schools lost their way', Bennis & O'Toole describe the scientific model of management as predicated on the faulty assumption that business is an academic discipline which can be studied in isolation.⁵¹ They argue that business is in fact a profession, which must call upon the work of many other disciplines and must not be separated from practice.

5 Conclusions & Recommendations

5.1 The Case for Change

After many years of relative stability, turmoil within the world economic system over the last two years has brought about significant change in the regulatory and business environments. The pace of technological change shows no sign of slowing, and we have yet to see the impact of a nascent biotechnology revolution. The call for action from governments, corporations and individuals on environmental issues such as resource depletion and the climate continues to increase in volume and is being joined by many credible voices, and the failure of the current international credit crisis to silence this call suggests that environmental concerns are here to stay. The internet continues to change the way business operates and is facilitating networking and collaborative development which has introduced the concept of ‘open business.’

These factors provide clear indication that the decade ahead will bring even greater change than has been experienced since the turn of the century. What is not clear is whether that change will comprise positive business growth based on a reformed world economic order, whether it will result in intensifying crises as the world lurches towards environmental disaster, or whether it will be something in between or something different altogether. However, regardless of whether the next 10 years brings good news or bad, the conclusion that management consultancies must reach is that in order to be relevant and successful in the long-term, their strategy should anticipate a changing and uncertain future that will require a new way of thinking and operating.

Based on this research project, the implications of this conclusion are as follows:

- Management consultancies should examine their corporate structures to ensure that they are able to respond quickly to new opportunities, particularly those that require unconventional thinking and a new mix of skills;
- Management consultancies must consider the mix of staff that they will require to ensure a flexible and responsive firm and to avoid entrenched thinking. With an investment cycle of 10 years, consultancies need to begin making any required changes to their recruiting policies now, in order to have the right resource mix by 2020;
- Management consultancies must deliberately cultivate their relationships with the ‘thought-leaders’. While they should evaluate their current relationships to avoid investing in areas that are unproductive, they should nevertheless invest in complementary links with leading business schools and research units. Involvement with academic institutions can take many forms, but the relationship should be structured to be beneficial on multiple levels, with academics gaining greater insight into the business world, students receiving practical experience and advice, and consultancies having access to leading academic thought and the best students;

- Thought leadership is not the sole preserve of academic institutions; it can also originate with innovators and entrepreneurs. Management consultancies should be actively involved in entrepreneurial ventures as a deliberate strategy to identify new business knowledge. While this may occur by default through the consultant's normal course of work as an executive advisor, other channels such as alumni networks or board involvement should also be deliberately nurtured. Feedback from a consultancy's clients should be considered carefully, with business mentoring and entrepreneurial sponsorship providing further opportunities to identify new thinking;
- While close association with thought leadership will keep a consultancy near the forefront of business thinking, a training process that allows rapid up-skilling or re-skilling of staff is also important, and must be in place to ensure that consultants can quickly come up to speed with new business knowledge.

5.2 The Case for Diversity

Although we can be sure that the world will change significantly over the next decade, it is more difficult to anticipate how it will change. Nevertheless, it seems clear that businesses will face pressure from many different directions and will need to consider multiple influences such as government and regulations, the environment and resource constraints, global trade, and the economy. Corporations will need to effectively respond to the needs of multiple stakeholders while still increasing shareholder value; consequently, consultants will likewise require a diversity of skills to address the evolving needs of their business clients.

This research concludes that in order to prosper over the long-term, management consultancies will require greater diversity within their workforce. Ensuring that a consultancy has the ability to offer quality consulting services in an environment comprising an uncertain but complex future requires a strategy which takes into account the following:

- A management consulting firm may enhance its capability to respond quickly to changes in the business environment by diversifying its workforce and recruiting from a wider and more heterogeneous applicant pool than has traditionally been the case. Consultancies should examine their recruitment policies to ensure that they are recruiting from a wide range of backgrounds and skill-sets. As the investment cycle requires a 10-year strategy to adjust this resource mix, current recruitment policies should be evaluated with the year 2020 in mind;
- Senior management of consultancies must make deliberate efforts to be exposed to divergent thinking and alternative points of view, so that they can more effectively identify emerging opportunities and navigate through the changes ahead. The recommendations in this section are designed to reduce the danger of 'group think' that may result from a commonality of experience, background and training, but it is not enough to simply introduce alternative thinking into a

consultancy – senior management also need to recognise and give serious consideration to differing perspectives;

- Management consulting firms should follow diversification strategies by offering a broad range of services in order to reduce their risk and increase their flexibility. While they may choose to differentiate by developing specialist skills, over the next decade this should not be at the expense of being able to provide general service;
- Within the context of a diversification strategy, smaller consultancies or practices within larger consultancies have the opportunity to develop specialist skills to meet niche demand, for example in areas such as sustainability and the maximisation of multiple-stakeholder value. By identifying the right niche, the potential exists to uncover a significant growth opportunity.

5.3 Final Remarks

The environment in which management consulting operates is undergoing fundamental transformation, and although the essence of consulting will remain the same (that is, “*what’s the problem, and how will we solve it*”), there will be new opportunities for those consultancies that make the best strategic choices. Idea leadership, which anticipates a fundamental change to an accepted paradigm, provides a chance to be at the forefront of a shift in the business environment and to lead the way in a new wave of consultancy.

If the interviews conducted for this research are any indication, management consultants will be pragmatic about any changes that occur within their industry. They are constantly thinking about what is happening in the world and are continually formulating appropriate responses, to the extent that the conclusions reached in this report are already reflected in a number of existing initiatives. For example, McKinsey and BCG have begun to diversify their services, Deloitte and PwC have launched sustainability practices, Ernst & Young has expanded its public services practice, and leading firms are looking to recruit from a wide range of backgrounds.

However, it is still possible for the most diligent observer to be taken by surprise. In the chaotic environment that we face today, significant change may emerge from anywhere and management consultants need to remain alert by keeping close to changes in business thought and practice, and flexible by reviewing their corporate structures and ensuring a diversity of skills and experiences in their workforce. Uncertainty always presents opportunities, and the years ahead will offer consultants many exiting challenges and new possibilities as business reinvents itself to provide a more sustainable future for us all.

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