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OPINION PAPER

WHAT IS THE FUTURE FOR CONSULTANCY?

This article was written by Roger Camrass, director of CIONET UK and a visiting professor of the University of Surrey. It is based on the speech given during the annual away-day of The Future of Technology consultancy division of Capgemini Invent which gathered over 100 consultants in a funky warehouse in Shoreditch, London. This speech gave a perspective of consultancy past, present and future and described the rapid evolution of this profession over a hundred-year period.

Consultancy today is a \$200 Billion global business with an ever-wider range of participants – from the Big Four accounting firms (each exceeding \$10-15B revenues) to small, expert-based boutiques. But how did this business emerge early in the last century? This short article explores the genesis and prospects of a high growth global industry.

What were the origins of consultancy?

It is remarkable to think that the first consulting firm was founded as far back as 1886 by Arthur D Little, a former MIT professor who went on to commercialise Acetate and many other innovative products. Bruce Henderson of Arthur D Little founded the Boston Consulting Group which in turn led to the formation of Bain & Company by ex BCG partner, Bill Bain.

Many of the early consulting firms were university spin-offs such as the Stanford Research Institute (SRI) that itself invented the first household detergent, TIDE, and patented the Mouse in 1969 – twenty years before Apple found a commercial use for it. Such inventive companies often enjoyed government support in emerging technology areas such as natural language speech recognition.

Enter the world of strategic advisors

Post-World War II strategy houses such as McKinsey began to flourish as corporations, especially American, began to diversify and expand across the Globe. Much of the work during this era was sponsored by CEOs and Board members of Global 1000 companies who sought external input and assurance to their ambitious expansion plans. Large fees afforded a highly affluent lifestyle for such consulting partners.

McKinsey is unique in that it was the first consulting group to codify its core beliefs, aided by the legendary Marvin Bower who took over from the original founder, Jim McKinsey, and worked there for 45 years. His ten operating principles remain at the centre of the McKinsey culture and are entirely client focused.

Focusing on operational performance in the seventies

Alongside strategy, work practice became increasingly important to both clients and consulting firms as organisations expanded in size and complexity. The seminal works of Frederick Taylor and Peter Drucker on the 'Science of Management' provided a useful platform for consulting growth as newcomers such as A T Kearney and Oliver Wyman focused on structure, workflow and operational performance. This occurred through the sixties and seventies and created new tools such as Total Quality Management and Lean Thinking.

During this time consulting assignments migrated from the CEO to functional leaders, including finance, operations, HR and R&D all of whom were preoccupied with scale efficiency and control. Strategy houses remained focused at Board level but began to occupy themselves with structure and the role of the Group centre.

The rise and rise of technology

By the eighties, client companies were becoming preoccupied with computerisation to automate manual tasks. The explosion in distributed processing and related software packages provided ample fodder for the Big Four accounting firms, many of whom were looking to grow revenues beyond audit fees. At the same time IT vendors such as HP, ORACLE and IBM were beginning to explore how a consultative approach could identify and help solve client problems.

In parallel a generation of thought leaders began to emerge, proclaiming the possibility that IT could deliver genuine competitive advantage. Alongside general management thinkers such as Hamal, Porter and Peters, new Tech leaders such as Hammer, Champy and Davenport started to talk about business reengineering. This spawned a rapid succession of reengineering boutiques such as INDEX and GEMINI who were swallowed up by IT vendors such as CSC and Cap.

The big message at this time was that business reengineering could deliver quantum improvements in performance. In the words of Michael Hammer "don't talk about the 5% or even the 50% but go for the 500%" performance improvements. Inevitably much of the hype evaporated, and companies were driven down the big 'ERP' route

costing billions of dollars. This persists up to the present day, as companies conclude their ERP journeys – with the consequences of rigid systems and processes that are designed for a by-gone era.

And then came e-commerce

By the late nineties companies recognised the power of the Internet as a transformative vehicle for every aspect of business. Excitement grew for e-markets that could trade goods electronically between corporations (b2b). In addition, goods and services could be bought and sold by consumers over the Internet (c2c). Taken together this produced a flurry of consulting activity as Boards recognised the need for action. By the year 2000 major corporations had appointed e-commerce teams and were spending many millions on new ways of doing business.

Another clutch of consulting boutiques emerged with strange names such as Razor Fish, Viant Siant and Sapient, nicknamed 'the fast five'. These helped companies develop web sites and online channels and, in some cases, launch entirely new 'dot.com' businesses. But the NASDAQ crash in 2001 halted the torrent of spending and returned the industry to more mundane matters such as system integration and outsourcing. By this stage Indian companies such as TCS, Wipro and Cognizant were also offering consultancy as an adjunct to offshore services.

Digital transformation is the next, big thing

Ever hungry for multi-million-dollar fees, and having exhausted the ERP pot, consulting firms have turned now to digital transformation as the next big thing. With digital natives such as Amazon and Google reaching trillion-dollar valuations and challenging incumbents, the convincing argument for reengineering on a grand scale has arrived. The major consulting firms now offer growth and prosperity to the living dead, with prospects of speed, agility and innovation as the necessary capabilities to compete.

As our recent research has shown, 'modernising the factory' through costly transformation exercises only offers a limited extension to final extinction. Many Global 1000 companies are witnessing declining revenues and market valuations. Some have begun the challenging task of innovating out at the 'edge' of the corporate envelop, employing new business models, enabled by wave II technologies such as IoT, Blockchain, AI, 5G and 3D printing.

A new era for consulting

Creating genuinely new business models is a gigantic task, fraught with risk and the prospect of likely failure. The doctrine of 'scale efficiency' that underpinned successive waves of consultancy is now morphing into 'scale learning' (as per the words of Tarun Kohli of M&G Prudential). New business architectures that involve highly connected eco-systems are being explored in sectors such as transport and mobility. These require new skills that focus on design thinking and digital architectures.

In addition, clients are seeking deeper expertise from their consulting partners in all aspects of Wave II technologies and associated business models. Consultancies such as Capgemini's Invent team recognise such capabilities and are rapidly growing new talent to address emerging client needs.

What should you expect from your consultants?

The consulting industry has matured and changed dramatically over the last few decades, and so has the nature of the relationship between client and consulting firm. Our view is that clients today should be seeking a different type of relationship based on:

- Innovation that is geared towards growth and value rather than scale efficiency
- Risk/reward relationships that reflect value delivered rather than time spent

Deeper external expertise that complements inhouse skills and accelerates learning.



About CIONET

CIONET is the leading community of more than 10,000 digital leaders in 20+ countries across Europe, Asia, and the Americas. Through this global presence CIONET orchestrates peer-to-peer interactions focused on the most important business and technology issues of the day. CIONET members join over a thousand international and regional live and virtual events annually, ranging from roundtables, programs for peer-to-peer exchange of expertise, community networking events, to large international gatherings. Its members testify that CIONET is an impartial and value adding platform that helps them use the wisdom of the (IT) crowd, to acquire expertise, advance their professional development, analyse and solve IT issues, and accelerate beneficial outcomes within their organisation.

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