

DOES STRATEGY CONSULTING HAVE A FUTURE?

If it does, what will it look like, and who will the winners be?



CONTENTS

Introduction	3
Section 01: What is the market for strategy consulting?	4
Section 02: Longer-term changes: The future shape of strategy consulting	24
Section 03: What will the competitive landscape look like?	35
Section 04: What will the strategy firm of the future look like?	56
Methodology and contributors	68
About the authors	71

Introduction:

A NEW MODEL OF STRATEGY CONSULTING IS EMERGING

Strategy consulting accounted for 16% of the global consulting market in 2017, but much recent growth has been fuelled by business and digital transformation and that masks the extent to which demand for some, more traditional areas of strategy consulting is contracting. Although clients think that traditional strategy is something they should be able to do themselves, they still believe consultants have a role to play and they believe they're more likely to invest in strategy consulting than other consulting services on average. However, future growth may be threatened by clients' desire to do more strategy work themselves, and by the split of strategy consulting into low-cost and high-value work.

The ability of strategy consulting firms (and strategy practices within broader firms—we don't distinguish between the two) to grow in the future will depend on how quickly and effectively they can adapt to changes in client demand. In this report we argue that what we used to call strategy consulting is being hollowed out as clients "pull" strategy work in three directions: linking it more closely to technology change; deepening the extent to which strategy is driven by data & analytics; and ensuring that strategic ideas can be—and are—implemented in practice. What we think of as "strategy" will be the fast-paced, creative process that weaves these three things—digital technology, analytics, and implementation—together.

This shift is already changing the competitive landscape. While the traditional strategy firms—McKinsey, The Boston Consulting Group (BCG hereafter) and Bain & Company (Bain hereafter)—still lead, non-strategy firms are narrowing the gap in clients' eyes. But opportunities create challenges. Does this mean that the strategy firm/practice of the future will be staffed entirely by robots? We think not, but we do argue that it's important for firms to act now to identify the relevant parts of their business—the components of strategy work that are low-cost—and automate them.

Clients, we'd conclude, will still want to talk to imaginative, experienced and empathetic strategy consultants, but they don't want them wasting time doing work a machine could do better. In our experience, strategy firms/practices often want to hide behind the high-value label and can be reluctant to acknowledge what all their clients see—that at least some of the work they do has become a commodity. Grasping this nettle, decisively and urgently, will determine who wins and who loses in the future.

Section 01:

WHAT IS THE MARKET FOR STRATEGY CONSULTING?

Introduction to this section

It seems ironic, talking about the future of strategy consulting, when strategy consulting is supposed to be all about the future.

But the reality is that there's a war going on between the old guard and the new guard, not simply over who owns the market but also over what strategy consulting is, and the purpose of this report is to work out who's going to win, why, and how firms need to respond.

In this section we cover:

- **Today's market:**
 - The size of the traditional strategy consulting market, broken down in various ways
 - Recent growth compared to other service lines
 - The extent to which strategy consulting is being cannibalised by digital transformation
- **The client perspective:**
 - How they do strategy work internally
 - How they view the role of external third parties
 - How they select consulting firms
 - How the strategy process and use of consultants might change in the future
- **Forecast growth**

01

I genuinely think that strategy is more important than it ever has been. In the aftermath of 2008, clients lost faith in concepts and in consultants. Strategy became something more akin to business planning. But there are a set of profound issues that have meant that strategy has come back online. If you're an automotive player, what do you do about driverless cars? Do you decide to make them, or not? If you do go ahead, how do you differentiate yourself in a market that's often focused on the driving experience? No one will be driving. Is a driverless car a product or a service, and how will it sit alongside your other marques? These are incredibly strategic choices.

Mike Standing, Deloitte

Today, strategy is as much about defence as it is offense, whereas five or 10 years ago, it was much more about offense. Consider, for example, the car manufacturer. Ten or 20 years ago, you knew exactly who your competitors were and more or less what they were up to. Now, car manufacturers aren't just thinking about the traditional players, they have to think about Apple and Google entering their market; they have to think about how Lyft or Uber changes their market. It's a completely new and expanded competitive landscape. Strategy's job used to be to see around the corner and find new avenues for growth. Now, the job is less about looking around the corner and more about building up defensive barriers, because there's a real possibility that what's around the corner is a monster.

Ouriel Lancry, Bain & Company

Section 02:

LONGER-TERM CHANGES: THE FUTURE SHAPE OF STRATEGY CONSULTING

But how do clients view this \$21bn consulting market?

The previous section looked at the size and shape of today's consulting market, and, based on feedback from clients, explored its short-term prospects for growth. But what if we try to look further into the future? What might strategy consulting look like in five, or even 10 years' time?

To do this, we have to go back to clients and look, in greater depth, at the changes they foresee in their own organisations and in the way they "do" strategy.

The following pages explore how five of the world's largest and most iconic corporations view strategy—the way in which they organise themselves to develop the strategy of their organisations, and the extent to which they use outside support from consulting firms.

Their comments expand and extend the points made in the previous section:

- There's a clear desire to do more strategy work in-house. While we, like the consultants we spoke to, may be rightly cynical about the extent to which this is achievable in practice, it's very clear that this is what clients want to achieve and, at the very least, consulting firms need to consider how best to explain the value they can add over and above anything that can be achieved using in-house resources.
- That being said, senior executives are still more likely to listen to an external voice. Brand and reputation will continue to be critical in this consulting market, but so will scrupulous objectivity. Similarly, raw talent remains important, but clients expect technology to replace some types of work: "Strategy work has become easier," comments one of our interviewees.
- Technology, as a moderniser and as a means of accelerated implementation, is central. And so, too, is analytics. But these case studies also highlight the extent to which strategy—and, consequently, strategy consulting—needs to make companies faster and leaner. Clients are looking for support in which "execution is coupled with simplicity," as one interviewee puts it.

02

Section 03:

WHAT WILL THE COMPETITIVE LANDSCAPE LOOK LIKE?

Introduction to this section

Making the right thing happen as quickly as possible. That's what we concluded would be the role of the strategist—and, thus, the role of strategy consultants—in the future.

Some of this will play to the strengths of those we always think of as “strategy” firms. The ability to generate brilliant analysis and creative insights would be at the core of what many people at McKinsey, BCG, and Bain would claim to be their competitive advantage. But knowledge of technology and the ability to get things done would be abilities many other firms would lay claim to. Moreover, by stretching strategy work into new areas and by asking those tasked with doing strategy work to take on new roles and responsibilities, clients are implicitly challenging the consulting industry's existing segmentation.

This section of our report looks at:

- Who has what share of this market.
- How clients' perceptions may reshape the competitive landscape. We do this in a variety of ways, using data about quality, value, and firms' attributes from our client perceptions research programme, and by exploring how individual firms are positioning themselves for the new strategy market outlined in the previous section.

Section 04:

WHAT WILL THE STRATEGY FIRM OF THE FUTURE LOOK LIKE?

04

Introduction to this section

The previous sections of this report have covered what we believe are the “what” and the “why” of strategy consulting in the future.

This section focuses on the “how”—how consulting firms will have to re-think their business model in order to deliver fast-paced creativity, and the characteristics that lie at the heart of the emerging strategy consulting model.

We think this will involve:

- 1. Facing the market in a new way, based on a portfolio of propositions.**
- 2. Creating a more fluid, flexible and porous organisational model.**
- 3. Making more deliberate decisions about the work people will do, and what elements should be automated.**
- 4. Ensuring that the business as a whole is fuelled and inspired by a constant stream of new ideas.**
- 5. Reinventing its employee proposition.**
- 6. Demonstrating the value it can add in practice.**

On our corporate strategy side, 95% of the time we will deal with the CEO and his/her team. One thing that has changed dramatically is cycle time—i.e., How long it takes for us to complete a piece of work—has gone from nine months to no more than three months, irrespective of the complexity of the organisation. The driving force behind reduced cycle time is a combination of information being much more accessible and our employees being more adept.

Bill Achtmeyer, EY

I think that the strategy function and strategy departments are moving a lot faster than they used to.

Ouriel Lancry, Bain & Company

Clients are looking to put in place strategy processes that are more robust, but at the same time more agile and 'always on' because the traditional annual planning cycle is too slow for many rapidly-changing markets.

Sam Stewart, The Boston Consulting Group

The interesting thing when we talk about the strategy development process, for me, is whether there will be 'process' in the future? I doubt that five years from now we'll see a strategy development project where the client says 'It will take three months.' Sometimes it will take two weeks and sometimes it will take four or five months, but the question is: Can we call that process? Process would imply, for me, that there were some standard elements, or a sequence of steps, in this process of how to get to a new, updated strategy. My doubt would be whether this is really a process in the future or whether this is more of a cycle, or a trial and error process.

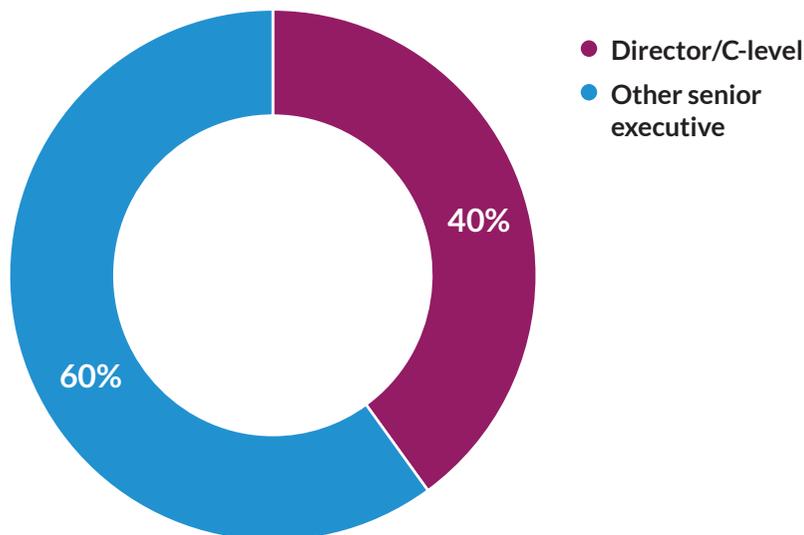
Joachim Rotering, Strategy&

About our research

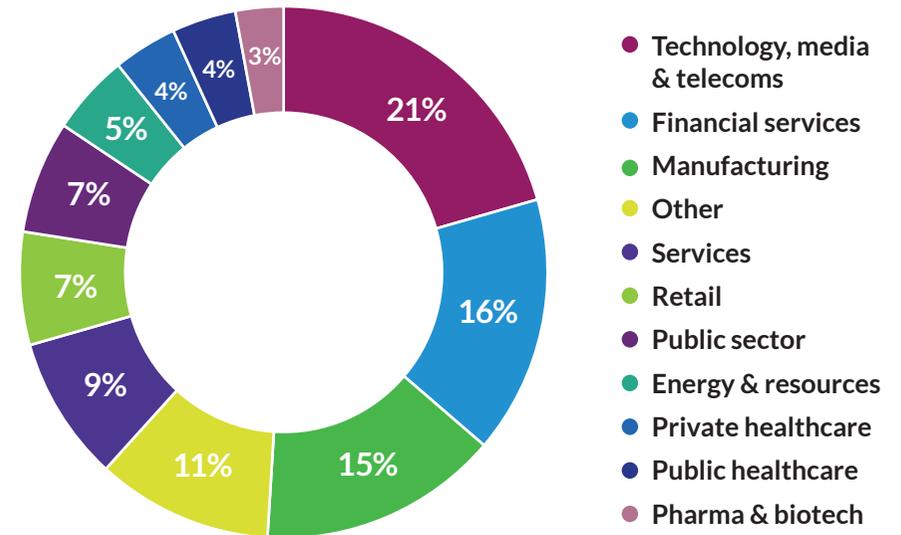
At the beginning of 2018 we surveyed 150 senior executives in American corporations in an attempt to measure both the extent to which they thought their consulting was about to change, and how it would do so. We also interviewed consulting leaders from consulting firms, many of whom are quoted in this report.

- Our report also draws on data from:
 - Our global consulting data model—a bottom-up model of the consulting industry covering 84 countries, 29 sectors, and six major service lines and containing almost 10m data points
 - Our annual global client perception survey, the latest version of which had 9,000 responses from a range of major consulting markets around the world.

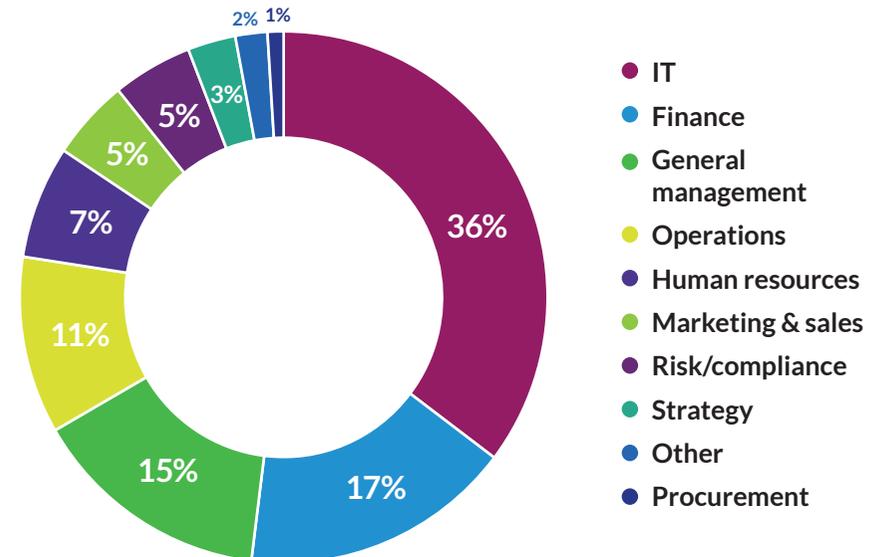
Breakdown by seniority



Breakdown by sector



Breakdown by function



CONTRIBUTORS

We're immensely grateful to the following, all of whom contributed their time to our research. These details are correct as of the time of interview in 2017.

Name	Job title	Firm
Bill Achtmeyer	Parthenon Founder and Senior Managing Director	EY
Adam Cairns	Senior Director, Enterprise Strategy	Walmart
Daniel Gittsovich	Head of Corporate Strategy and Director	3M
Reto Isenegger	Global Advisory Strategy Leader	EY
Michael Jary	Partner	OC&C Strategy Consultants
Mark Johnson	Co-Founder and Senior Partner	Innosight
Nicolas Kachaner	Senior Partner & Managing Director; Lead for Western Europe, North Africa, South America	The Boston Consulting Group
Peter Korsten	Vice President and Partner, GBS Strategy & Solutions	IBM
Ouriel Lancry	Partner	Bain & Company
Timothy Mahapatra	Managing Director	Alvarez & Marsal
Rob Mann	Vice President	North Highland
Neil McClumpha	Partner	Berkeley Partnership
Christopher Meyer	Founder and CEO	Got Nerve
Les Moeller	Chairman of North and South America	FTI Consulting
Philipp Ostermeier	Senior Partner—Global Strategy Group DACH	KPMG
Joachim Rotering	Global Leader	Strategy&
Jonathan Simmons	Partner	L.E.K. Consulting
Sam Stewart	Partner & Managing Director, Lead for Australia, New Zealand	The Boston Consulting Group
Simon Vessey	Partner, Head of CVA London	Corporate Value Associates
Jon Weber	Managing Director and Partner	L.E.K. Consulting
Keith Witek	Director, Business Development	Tesla Motors

ABOUT THE AUTHORS

Edward Haigh

Ed is a Director of Source, and he is particularly focused on HR, strategic marketing, and new product development. He is a key member of the Source research team and spends much of his time interviewing consultants and their clients around the world in order to identify and explore major market trends.

Ed regularly speaks about the consulting market to leadership teams around the world, has lectured at Columbia University, Imperial College, and Vrije Universiteit, and he is regularly quoted by media including the *Wall Street Journal*, the *Washington Post*, the *Financial Times*, *Bloomberg*, and the trade press. Prior to joining Source in 2008, Ed spent seven years in various marketing roles for Sony Europe.



Edward Haigh
✉ edward.haigh@sourceglobalresearch.com

Fiona Czerniawska

A Co-Founder and Director of Source, Fiona is one of the world's leading commentators on the management consulting industry. Since founding Source in 2007, she has been bringing this expertise to bear on our clients' most pressing strategic projects and business issues.

Fiona has more than 20 years' experience as a management consultant, working primarily in the areas of marketing and strategy. She was previously in charge of strategic planning for EY in the UK and has worked in the consulting practice of PwC. Fiona also has a PhD in seventeenth-century French art and lives in hope that it will be of practical use in business someday.



Fiona Czerniawska
✉ fionacz@sourceglobalresearch.com

Clarrie Wakeling

Clarrie is a Senior Analyst at Source and has extensive experience writing, interviewing, and in data analysis. She works on Source's core consulting reports, and also on bespoke projects for clients around market sizing and growth opportunities. She has also worked on key trend reports, and white papers on hot topics in the consulting industry. Clarrie worked as a consultant at Accenture, as well as at a couple of boutique firms before joining Source.



Clarrie Wakeling
✉ clarrie.wakeling@sourceglobalresearch.com

Callum Jack

Callum is a Senior Analyst at Source and has experience across analysis, writing and interviewing for both the company's core and bespoke products. This has covered consulting market reports, client perceptions, and strategic trends, as well as bespoke projects. Callum previously worked in consulting for Accenture and a boutique firm.



Callum Jack
✉ callum.jack@sourceglobalresearch.com

Alison Huntington

Alison is the Head of Client & Brand Insights at Source. She is responsible for all the reports we write on this subject, and leads many of the bespoke projects we deliver in this area. She's an experienced writer, analyst, and interviewer, and has worked on bespoke projects around brand benchmarking, helping consulting firms to understand how they are perceived in the market, and what they can do to improve perceptions. Alison earned her stripes as a consultant at Deloitte, working on a wide range of projects across many industries.



Alison Huntington
✉ alison.huntington@sourceglobalresearch.com

SOURCE REPORT PROGRAMMES

● MARKET TRENDS PROGRAMME

A series of detailed reports that contain the most accurate view available about the consulting market in an extensive list of countries and regions. These explore key themes, provide market sizing data, growth forecasts, and deep analysis, all backed up by extensive quantitative and qualitative research amongst consulting firms and clients.

As well as our country reports, we also produce a global view of four different sectors. These reports contain sector analysis, market sizing data, and growth forecasts at a global level, as well as breakdowns by sub-sector, service, and geography. Snapshots of content from these reports will be published earlier in the year and made available to subscribers, as tranches become available.

● STRATEGIC PLANNING PROGRAMME

A series of reports that take a detailed look at the big trends in the global consulting industry, interpreting them in terms of what they mean for consulting firms and who is best placed to exploit them.

● CLIENT PERCEPTION PROGRAMME

A series of reports based on our huge client survey, that reveal what clients think about the leading consulting firms in a number of regions and sectors. We rank the leading consulting firms in terms of clients' perceptions of things like quality and value. Data and analysis for these reports are made available to subscribers throughout the year.

As part of this programme we also publish global brand perceptions. Leveraging all the data we have about each of the world's leading consulting firms, we're able to offer insights that go far beyond traditional brand impact surveys. Choose the firms you want to benchmark yourself against, and we'll analyse how clients see your firm relative to your competitors, writing a custom report that puts you at the heart of it. Available on request.

● WHITE SPACE

A series of reports that analyse the quality and effectiveness of thought leadership. These are included in all White Space subscriptions.

How to subscribe

You can either subscribe to a whole programme (the cheapest way of getting access to everything) or buy reports individually. All reports in our programmes come with a global licence, so once you've bought them you can use them anywhere in your firm.

What's included

- A global licence.
- An executive summary (8-10 pages) highlighting key themes.
- Relevant content, updated regularly: blogs, podcasts, and spotlights.

Want to know more?

For more details about how you can subscribe, please contact:

📞 UK +44 (0)203 478 1207

📞 US 1-800-767-8058

✉ sales@sourceglobalresearch.com

Or simply visit our website, have a more in-depth look at what we do, and drop us a question at:

🌐 www.sourceglobalresearch.com

2018	MARKET TRENDS PROGRAMME	STRATEGIC PLANNING PROGRAMME	CLIENT PERCEPTION PROGRAMME**	WHITE SPACE
JANUARY				Hot topics in thought leadership
FEBRUARY	Forecasts for 2018 UK		In each report, we will publish the top-ranked firms for: Mindshare Quality of work Value added Quality of work by different consulting services	Quality ratings of thought leadership for the second half of 2017
MARCH	GCC DACH Benelux	Mega trend #1: Intelligent analytics	Germany part 1 US part 1 GCC part 1	
APRIL	Spain France Nordics		Germany part 2 UK part 1 US part 2	Analysis of recent thought leadership
MAY	Eastern Europe US Russia	Mega trend #2: Discover	Financial services part 1 Nordics part 1 Energy & resources part 1	Analysis of recent thought leadership
JUNE	Italy Canada	Mega trend #3: Strategy	France part 1 UK part 2 Financial services part 2	
JULY	South America Australia	Mega trend #4: Run	Healthcare part 1 France part 2	Analysis of recent thought leadership
AUGUST	Africa		Nordics part 2 TMT part 1 Energy & resources part 2	
SEPTEMBER	Planning for growth in 2019 India Energy & Resources*		Healthcare part 2 TMT part 2 GCC part 2	Quality ratings of thought leadership for the first half of 2018
OCTOBER	South East Asia Financial Services* China			
NOVEMBER	TMT* Healthcare*	Mega trend #5: How technology will shape the consulting business model of the future		
DECEMBER	*Snapshots of content from these reports will be published earlier in the year and made available to subscribers, as tranches become available.	Mega trend #6: Digital transformation	**Part 1: What our data tells us about the market. Part 2: Firm-by-firm analysis.	

Would you like more information on any of the above? A more detailed view? Or to adjust any of it to suit your requirements? The adjacent page offers more insights into how we can help you.

OUR CUSTOM RESEARCH SERVICES

Over the course of the last ten years we've worked with leaders in many of the world's biggest professional services firms, to help them find solutions to some of their most important challenges. Here are some typical examples of the kind of work we do.

You need to know how big your market is

We have a global data model of the professional services industry that is the biggest and most sophisticated of its kind ever created. It provides data on market size, growth rates, and forecasts across 29 industrial sectors, 10 service lines, and 84 countries. It also breaks down the market by different types of firm.

We can provide you with a version of the model that's customised to fit your needs, giving you data on all the countries, sectors, and service lines that matter to you, and none that don't. But we won't stop there, unless you want us to: Our analysts will work alongside you to make the model yours, mapping our definitions to yours, so you can look at the market on your terms rather than ours.

You need to understand what the numbers mean for you

For many of the firms we work with, pure data isn't enough, and nor are standard reports able to offer a view that's sufficiently tailored to their needs. In these situations, our analysts start with a blank sheet of paper, put your firm in the middle of it, and draw on all our data and knowledge—including about clients' perceptions—to build a picture of the world around you. You get a story that's laser-focused on your challenges and your opportunities, and that helps you to translate data and insight into action.

You're new in your role and need to understand the market for which you're now responsible

For people who have just moved into a new role, we can create packs of information specific to a particular geography, sector, or service line. Our market sizing data can be used to quantify the market's potential, and our analysis of clients' perceptions and the competitive landscape will help you understand how best to seize the opportunities and respond to the threats.

You need to create clear propositions around your services

Our research tells us that having a big brand is no longer enough: Increasingly, clients expect professional firms to have a clearly articulated proposition for each service that differentiates them from their competitors. But the best propositions aren't built in a day: Our analysis, because it's grounded in facts about clients' perceptions and behaviour, helps firms quickly cut through internal disagreement and build a clear sense of direction.

You need help with your inorganic growth plans

We also work with firms that are supplementing their organic growth with acquisitions, helping buyers find and qualify suitable targets for acquisitions. Leveraging our deep knowledge of the professional services sector, we can scan the market, profile companies, and even effect introductions. Firms use our services because we're well-connected in the industry, independent, and fast.

You need to understand how you measure up against your competitors in the minds of clients

Understanding what your clients think about your firm is critical in today's fast-changing and highly competitive market. New circumstances demand new, expert-led strategies to brand benchmarking, and that requires both independence—to get to the real story, not the one your clients think you want to hear—and deep knowledge and data about your market and your competitors.

We usually have a head-start here, because of the data we already have, but we've got all the expertise and experience that's needed to conduct new research among your clients and those of your competitors, in order to understand where your strengths and weaknesses lie, and what you need to do to stand out. The focus might be on your firm alone, but it might also be on how you can create competitive advantage over specific, named competitors.

You need to create better, more effective, thought leadership

Thought leadership has come to dominate the marketing activities of professional service firms, and with good cause: Our research with clients finds consistent evidence that good thought leadership matters to them, too. It helps them to do their job, to identify where world-class capability exists in these firms, and even to shortlist firms for projects.

How well does your thought leadership measure up? We can conduct in-depth reviews to assess quality in a sample of material that's either random or defined by you, from single pieces to entire bodies of work, on an ad-hoc or routine basis. We can also help you shape your approach to topics and understand what your competitors are doing, and can provide guidance about how to approach a specific piece of high-profile thought leadership.

We also recognise that good thought leadership doesn't happen by accident, but because you've put in place the right processes and engaged the interests and enthusiasm of your key subject matter experts. We help professional services firms create the foundations, organisational structure and processes for high-quality content. We can also run workshops that inspire your people and help make them more effective at creating thought leadership.

About Source

Source Global Research is a leading provider of information about the market for professional services. Set up in 2007, Source serves the professional services industry with expert analysis, research, and reporting. We draw not only on our extensive in-house experience but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency, and transparency.

Source was founded by Fiona Czerniawska and Joy Burnford. Fiona is one of the world's leading experts on the consulting industry. She has written [numerous books](#) on the industry including [The Intelligent Client](#) and [The Economist books Business Consulting: A Guide to How it Works and How to Make it Work](#) and [Buying Professional Services](#).

For further information please visit www.sourceglobalresearch.com

Source Information Services Ltd

📍 20 Little Britain • London • EC1A 7DH

☎ +44 (0)20 3478 1207

✉ info@sourceglobalresearch.com

🌐 www.sourceglobalresearch.com

© Source Information Services Ltd 2018

Source Information Services Ltd and its agents have used their best efforts in collecting the information published in this report. Source Information Services Ltd does not assume, and hereby disclaims, any liability for any loss or damage caused by errors or omissions in this report, whether such errors or omissions result from negligence, accident or other causes.

