

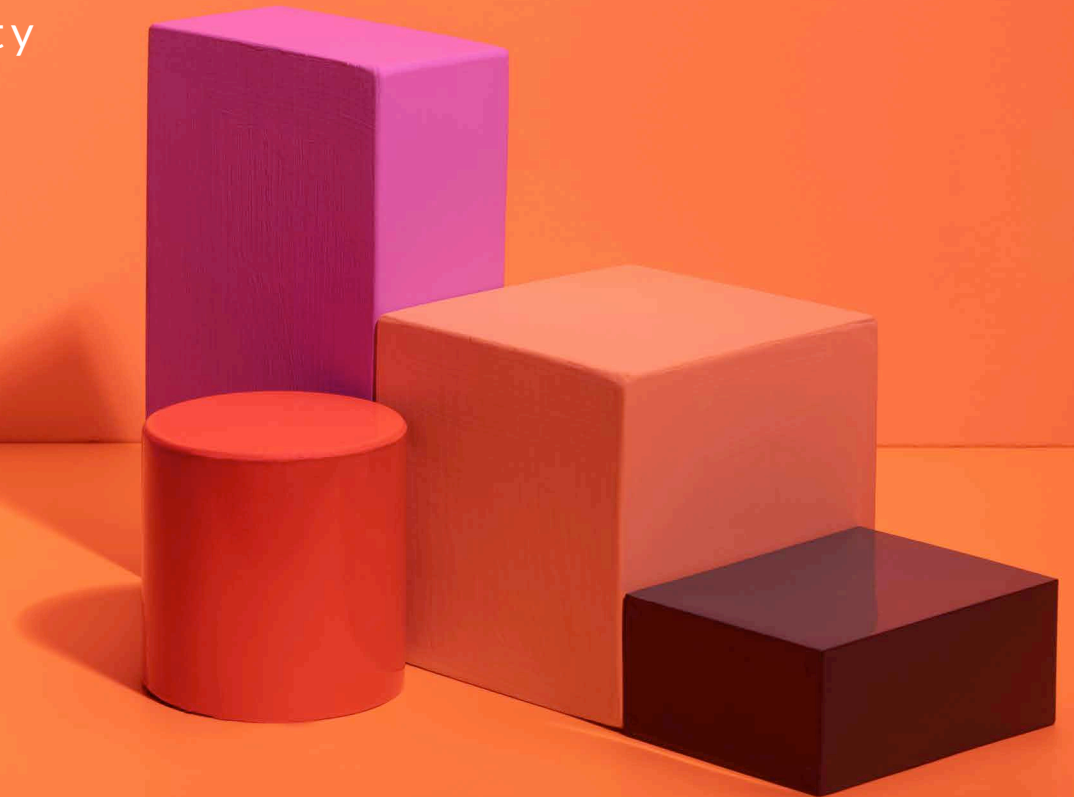
EXTRACT



April 2020

A Theory of Everything

Rebuilding the consulting
model, capability by capability



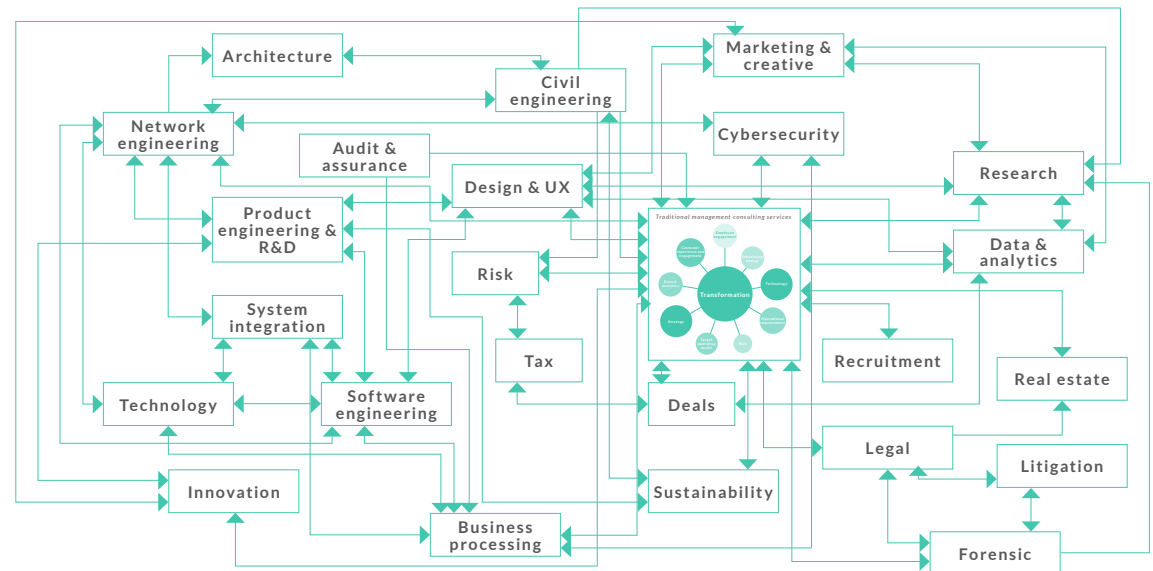


Everything points to convergence

Once upon a time there was a one-to-one relationship between a professional services firm's type and the kind of work it did: Strategy was done by strategy firms, technology was done by technology firms. But for the last 20 years, the consulting world has been changing. Attracted by growth markets outside their core business, technology firms moved into change management and process improvement, even as strategy firms moved into operational excellence. More recently, massive investment in digital transformation has opened the door to even greater diversification, not just within management consulting, but between management consulting and a wide array of other professional services.

At the heart of this is convergence: As we argued in our [previous white paper](#), professional firms of all shapes and sizes are eyeing up opportunities to expand into new markets with the result that it's becoming increasingly difficult—and pointless—to say where one type of firm starts and another finishes.

And at the heart of convergence is management consulting. With consistently higher margins and stronger growth trajectories than many other parts of the professional services market, consulting has become a magnet for other types of firms. But the process works both ways: It also means that consulting firms are in an immensely important position and—if they play their cards right—will stand to gain far more than they lose from this rapidly evolving environment.





The breadth of a firm's services in part determines its ability to innovate

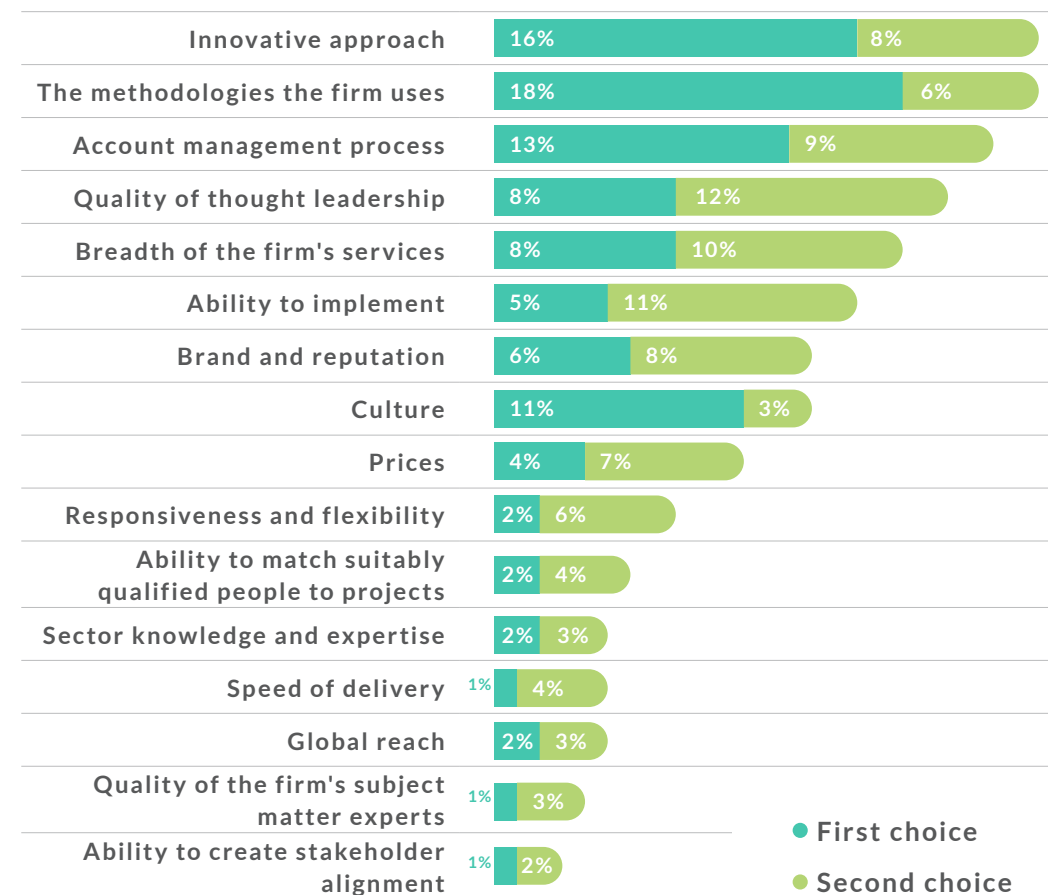
Over the last four years, our research has consistently shown that a firm's ability to be innovative is the most important factor clients take into account when deciding which consulting firms to hire.

But innovation doesn't happen in isolation.

In clients' eyes, it's strongly linked to practical application (the methodologies a firm uses), the ability to integrate different perspectives (which lies at the heart of good account management), the depth of thinking demonstrated by a firm's experts, and the breadth of services a firm can deploy.

Data: Based on over 8,000 responses from senior executives in a range of major consulting markets around the world, gathered in November/December 2019. Respondents were asked to select the two most important attributes.

The relative importance of attributes clients take into account when deciding which consulting firm to hire



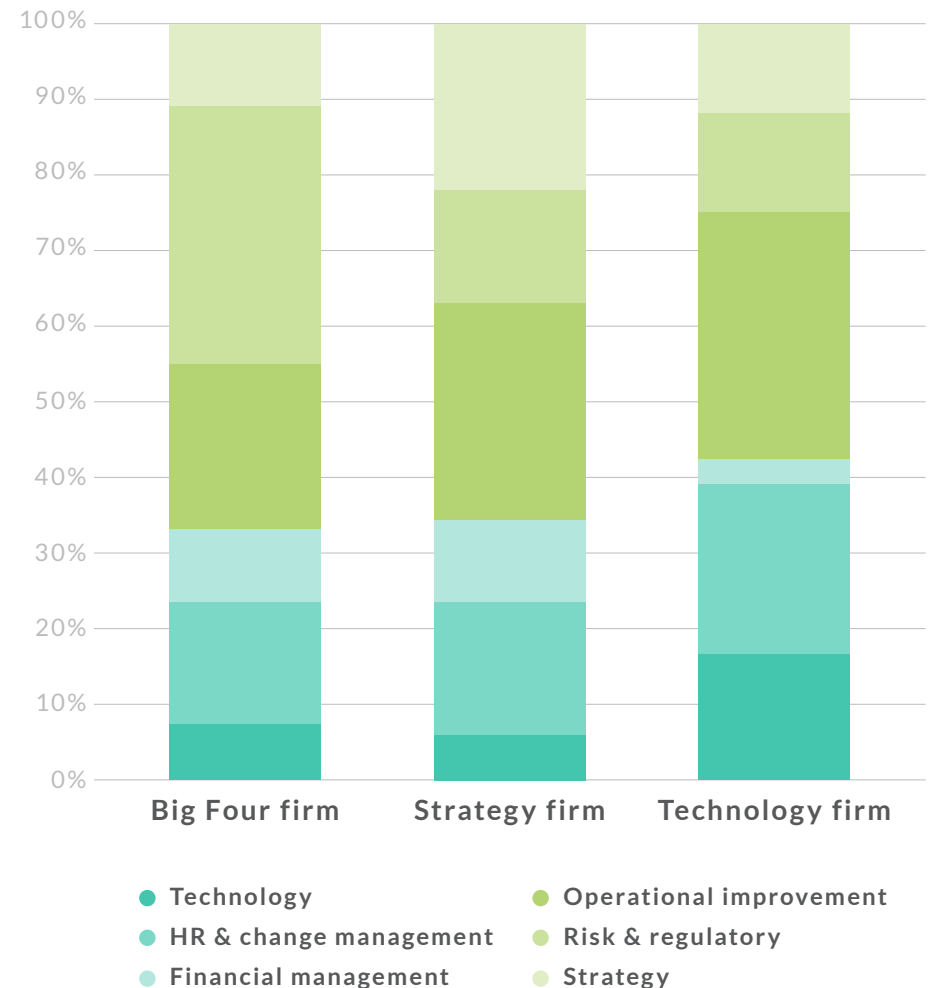


Consulting firms have diversified inside the consulting space

Consulting firms have responded to clients' desire to see different capabilities woven together into new, more innovative solutions by diversifying within the consulting space, with technology firms moving into strategy, strategy firms moving into technology, and operational firms moving in both directions at once.

The chart to the right demonstrates the impact this has had by indicating the approximate proportion of chargeable staff with different management consulting capabilities in three real firms: a technology firm, a strategy firm, and a Big Four firm. While the heritage of each firm is still clear, all three do something of everything.

Frustratingly, responding to one problem has created another: By adding more capabilities, clients are no longer sure what a firm excels in.





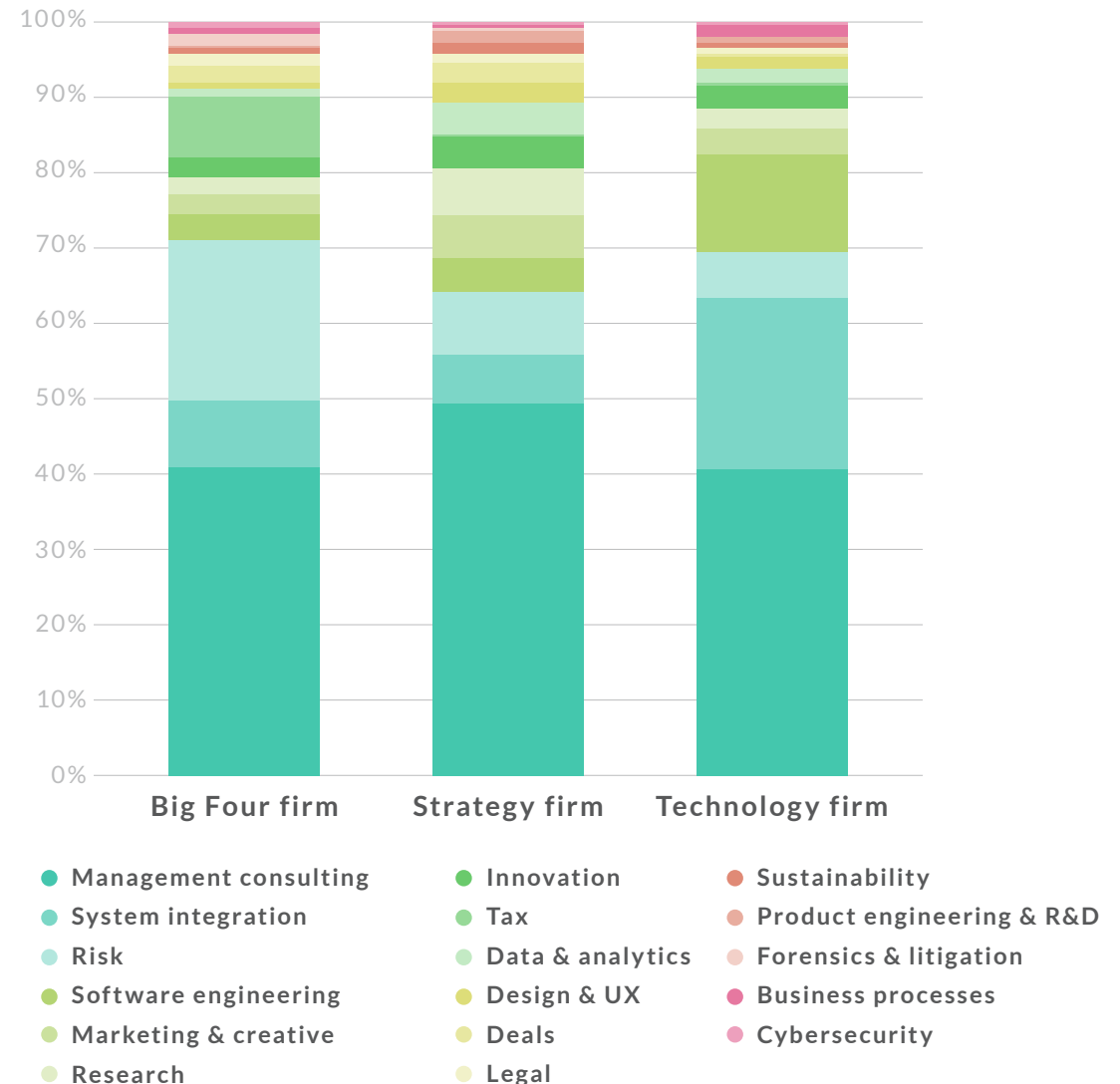
Boldly going where no consulting firms have gone before

But as they broaden their portfolio of services, consulting firms have gone further.

This version of the same chart shows how high-growth services, such as digital transformation, analytics, and cybersecurity, all of which require a multidisciplinary approach to be effective, have changed the range of work consulting firms can now claim to do. All three now offer capabilities not typically associated with consulting firms.

Again, the attempt to solve one problem—offering a more genuinely multidisciplinary approach—has made another problem worse. Consulting firms have yet to find a clear way of articulating what they do—do well and do differently—to the market.

Clients can now reasonably claim to be even more bamboozled: Can a consulting firm be as good at marketing as a creative agency? Can it code as well as a software engineering firm?



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