

The end of the leverage model in consulting?



Fiona Czerniawska

Posted 27/02/2019



Not all revolutions involve blowing up imperial palaces or slicing the heads off a generation of aristocrats: Some are hidden in plain sight. And I'm starting to wonder if a silent revolution may be taking place in the consulting industry at the moment.

As I've written about previously on this blog, our research has identified a huge amount of interest, among the users of consulting services, in a new type of "managed service", replacing traditional consulting delivery with a combination of software, data, and deep consulting expertise, all focused on delivering a specific process or outcome over a period of time that's longer than the equivalent consulting project would have been but still much shorter than the 10-year outsourcing deals that still haunt the corridors of large corporations. We found that, in the US market, 90% of clients find

this alternative way of delivering consulting services attractive, and approximately three-quarters see it as the future of consulting. Asked why they were so positive, clients cited the combination of tools they and their staff could use themselves and the ability to access expert support on an ongoing basis.

This, to us, is all part of what you could describe as the "noisy" revolution: A new generation of managed services is dominating discussions in many segments of the consulting industry, with firms vying with each other to find the optimum combination of people and "assets". It's also a trend that is being fed by a market that's splitting into two parts—as we've described elsewhere in this blog. Clients expect the skilled but highly repetitive work that's characteristic of the low-cost market to be replaced by software, while high-value work remains the preserve of smart, creative people capable of thinking on their feet. One of the reasons why interest in managed services is so strong is that these services combine elements from both ends of this spectrum, effectively giving clients a better service at a cheaper price.

But there may be another reason why clients like the idea of a managed service.

From all the conversations we have with clients as part of our ongoing research into the consulting industry, we know that clients are concerned about value. Our data regularly suggests that senior executives are almost twice as likely to



rate the quality of work done by consulting firms positively as they are to think the firms add value. This difference is driven by a series of factors, such as lack of concrete outputs; the difficulty in isolating the impact the consultants had from the impact of other organisational changes; and consultants' perennial inability to engage clients in a conversation about value, preferring instead to rely on doing a good job (the two are not the same in clients' eyes). One of the biggest bugbears clients have, and one of their most constant sources of strident complaint, is the frequency with which the brilliant and inspiring partners they meet at the sales pitch are replaced, during the course of a project, with hard-

working but desperately inexperienced and more junior people. Consulting has never been an industry in which what you saw is what you got. By contrast, managed services do more than deliver higher quality at a lower cost: They also substantially reduce the need for the junior staff that have so annoyed clients in the past by replacing much of the former's work with technology. The net effect of this is to leave clients with the people they value most: the super smart, senior people.

And this is the silent revolution I'm referring to—and make no mistake, it will be a revolution.