

Consulting's new frontiers of competition



Source Global Research - May 2020

It's difficult to imagine a world with Coca-Cola but no Pepsi. Or with Roger Federer but no Rafa Nadal. Would Mercedes make the cars it does if there was no such thing as a BMW? Would Barça fans care as much about their team if Real Madrid didn't exist? In life and in business, we often define ourselves by our competitors—and consulting is no different. Firms understand their own position in the market by understanding who they're likely to find themselves bidding against; that's one of the reasons why rubrics like **"The Big Four"** or **"The MBB Firms"** are so common in our industry. It may also be one of the reasons why so many small firms we speak to assert—not always convincingly—that their main competition is McKinsey.

But as much as heuristics can help us to visualise the contours of competition within the sector, they can also hold us back. As we've written about many times, consulting has changed a great deal over the last 10 years. The modern consulting firm may be superficially similar to its forebears, but pop open the hood and you'll find an organisational structure that is radically different. And likewise, **clients have changed the way in which they buy consulting services**. Taken together, all of this means that the competitive landscape has shifted in a number of different ways; some obvious, some more subtle.



Consultants are accustomed to thinking about their firm’s competitive position through the intersection of two different lenses; **one service-driven**—“We want to be the go-to people for strategy work”—and **another oriented around sectors**—“We’re going to build a reputation for deep knowledge of financial services”. And while those two views are undoubtedly important pieces of the puzzle, they are not the only ones. Firms that are willing to think about **alternative axes of differentiation** will be at an advantage when it comes to finding ways to create a competitive advantage; moreover, they may come to realise that they’re already competing against organisations that haven’t even been on their radar before.

For one thing, many firms could benefit—when trying to figure out who they’re competing against—by **considering not just the services they offer, but the capabilities that sit beneath those services**. Delivering “innovation as a service”, for example, is contingent on a number of component capabilities: innovation strategy, design thinking, knowledge management implementation, and so on. Spend some time cataloguing your capabilities through this sort of bottom-up approach, and you may well find overlap not only with your similarly-sized competitors, but also with boutique firms and digital agencies.

Even if those smaller players don’t offer fully equivalent service lines, clients may still be factoring them into their purchasing decisions. Gone are the days when a buyer would ask themselves simply: “Do I want to bring in Deloitte or KPMG for this piece of work?”. Instead, the question is often closer to: “Do I want to bring in a Big Four firm at all for this? Or can I deliver this with my own resources and bring in a few specialist firms to plug any capability gaps?”.

Moreover, firms ought to recognise that their competition is defined not only by the overlap of capabilities and services—but also in terms of **how those services are delivered**. We have written before about the seemingly unceasing proliferation of project delivery models within the industry, and it’s only to be expected that this would eventually lead to a shake-up in the competitive landscape. As firms have refined their managed services offerings, for example, they have started to butt up against some of the big BPO providers. The line between the two different types of service providers has started to look increasingly hazy.

Conversely, many firms have now developed the ability to deliver some types of work through an **associate staffing model**. The Big Four, for example, have all launched their own “**talent on demand**” platforms in recent years to help facilitate this. And that has brought those firms into more direct competition with some of the **big freelance marketplaces**—such as Catalant in the US or COMATCH in Europe.

None of these axes of competition—**services, sectors, capabilities, or delivery models**—tell the full story of a firm’s market position by themselves. They are fragments, navigational tools. The good cartographer understands that no two-dimensional map can ever perfectly capture the dimensions of our three-dimensional planet; and so she accepts that different maps must be made to serve different purposes. So too must consultants learn to examine



their own firms through multiple lenses if they want to fully understand who their competitors are.

But regardless of which lens you look through, there is one thing that ought to be clear: **The changes that have taken place in the industry over the last few years have redrawn the boundaries of competition.** Firms are not only competing for work against their traditional rivals; they are finding themselves in competition with whole new classes of service providers. The firms that put time and energy into grappling with this subject—that sit down and seriously ask themselves: **“Who are we really competing against today?”**—will find themselves best equipped to succeed in the new consulting landscape.