

RGM NEWSLETTER

RITA GUNTHER | MCGRATH

The Trouble With Consulting

August 2019



Dear colleagues,

In 2013, Clayton Christensen and colleagues published an alarmist article entitled [“Consulting On the Cusp of Disruption.”](#) In it, they argued that consulting’s expensive, integrated, black-box business model couldn’t last. Well, here we are in 2019 and strategy consulting is still thriving. Indeed, it’s a \$250 billion revenue business that is still growing, with some firms enjoying double-digit expansion.

There are a few places, however, where the traditional models show some vulnerability. It starts with the fact that consultants are embedded in the world as it is, not the world to come. It’s very difficult to give advice that would lead to the system which favors you as an incumbent being disrupted. This means that one point of pain for customers of consulting services is that the consultant gets paid, no matter what the outcome of their engagement is – limiting shared incentives.

Leverage: The Fundamental Business Model Challenge

Whatever type of consulting work that a large firm does, at its core the business model is based on leverage. The more junior people you can staff at a client relative to more senior people, the more money it's possible to make.

As [David Maister](#) points out, the proportion of work a firm does will determine how much leverage it is able to achieve. "Procedures" consulting means the main client "job to be done" is to obtain capacity and know-how to achieve a well-understood outcome. "Grey hair" consulting is all about accumulated expertise. "Brains" consulting involves focusing the best minds on new-to-the-world problems.

While clients may want a "brains" type of outcome, it's difficult to get a lot of leverage out of an engagement like that. And as innovations, technological shifts, and sources of competitive advantage change faster than ever, we can expect the proportion of traditional consulting work to move more into the "brains" space.

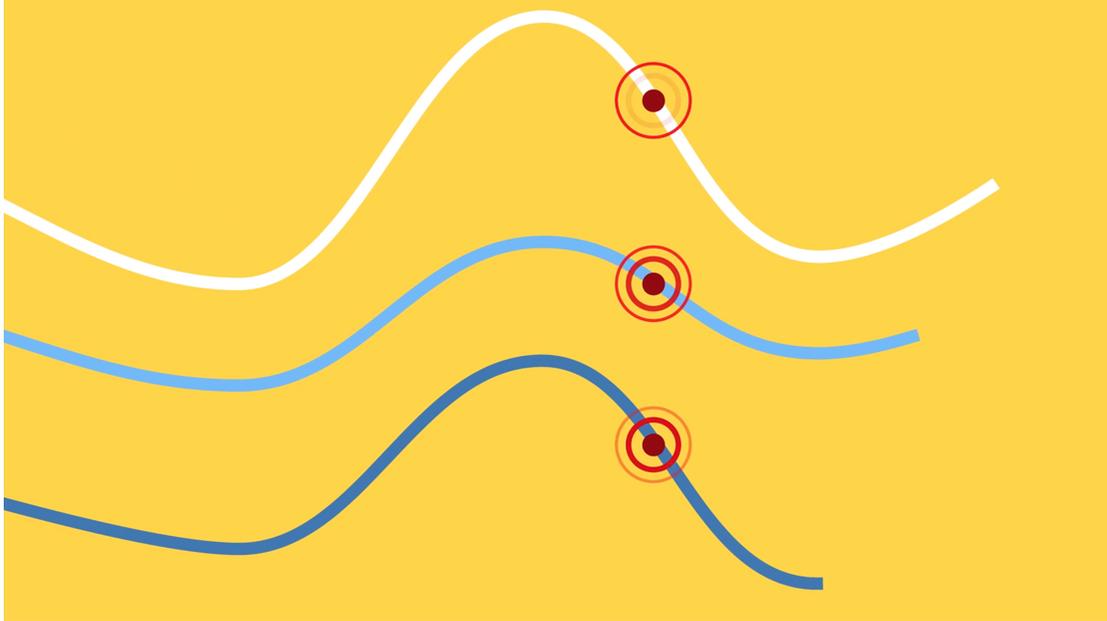
The On-demand Phenomenon Enters Consulting

In other industries, the trend towards simply accessing assets rather than owning them has been disruptive. As "brains" work becomes more important and deeply specialized expertise is necessary, boutique firms can credibly offer an alternative. Firms such as TopTal are creating markets for truly high-end technical talent that prefers a freelance environment. And of course, resources such as LinkedIn can connect people to experts they previously would never have known existed.

I anticipate a market opportunity for an entirely different kind of consulting firm—one which uses digital technologies to do to traditional consulting what upstarts such as Dollar Shave Club, Wayfair, and Sofi have done to the incumbents in their industries.

While there will always be a market for high-end consulting, look for a rising number of technology-infused alternatives which offer a combination of expert "brains at scale," and more clearly-aligned incentives to put pressure on the traditional model.

[Read more](#)



I'm thrilled to unveil the [official trailer](#) for my new book! In *Seeing Around Corners: How to Spot Inflection Points in Business Before They Happen*, I explore how inflection points can lead to potentially devastating consequences for businesses that fail to recognize the signs—and how they have the potential to create new, entrepreneurial opportunities for those that spot the shifts early and take advantage of them.

Publication day is right around the corner, which means time is running out on the special pre-order bonus! Order your copy by September 2nd to receive a free Opportunity Portfolio Toolkit. Learn more at SeeingAroundCornersBook.com.

Pre-order

Reading List

A curated roundup of interesting articles to get you thinking:

- **Staying Ahead of the Curve: How Mobility Clubs Are Driving Innovation.** At the 2019 FIA Conference, I shared insights into how clubs can forge a new path to success by quickly seizing opportunities, exploiting them decisively, and moving on to the next opportunity quickly. My keynote was followed by a panel discussion with leaders from FIA mobility clubs, all of whom attended an FIA University session in partnership with Columbia Business School. ([Blog](#))
- **Male and Female Entrepreneurs Get Asked Different Questions by VCs—and It Affects How Much Funding They Get.** VCs tend to ask men about the potential for gains and women about the potential for losses. ([HBR](#))

- **Business Scholars Should Write for Practitioners, Not Just for Each Other.**
Writing for practitioner journals is a potentially rich extension to what people are doing in their normal academic lives—and just might be an important hedge against an uncertain future for business schools. ([Blog](#))
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Upcoming Events

September 10-12: [Leading the Agile Organization](#) (Columbia Business School)

To achieve agility, organizations require leaders who are perceptive, comfortable with their various roles, and clear about their path to value. In this program, you'll acquire the mindsets vital to leading an agile and adaptive organization.

September 11: Book Event with Nina McLemore (New York)

I'll be signing copies of my new book at an event with Nina McLemore, designer of "powerful clothes for accomplished women." You'll also get a preview of Nina's Fall/Winter 2019 collection. RSVP: cherylann@ninamclemore.com.

September 16-18 [Business of Software Conference](#) (Boston)

Join the world's smartest software entrepreneurs for three days of learning, listening, and networking. Use promo code BoSSpeaker007 to receive a free workshop pass.

September 25: [RamsayTalks Breakfast](#) (Smith School of Business)

Join me in Toronto for a book launch event where you'll learn how to "see around corners" to spot inflection points and create new opportunities for your business.

September 26: [KPMG Innovation Book Launch](#) (Boston)

In a fireside chat with Kevin Bolen, KPMG's national leader for Strategic Growth Initiatives, we'll share how you can help your company stay one step ahead of the disruption curve.

October 8: Women in Innovation Summit (New York)

I am excited to be speaking at my tech innovation partner, Robots & Pencils, Women in Innovation one-day conference. If you are interested in joining, please send an email to alyssa.rae@robotsandpencils.com to request a complimentary invite.

Interested in having Rita speak at your organization or event?

[Learn more](#)



SCALE UP!

STRATEGY SIMULATION WORKSHOP

I'm excited to share a new way of [learning about strategy](#) which goes beyond textbooks and tired tools. My colleagues Marion Reinson and Christian Rangen (with his team from Norway) are holding Half-Day Strategic Planning Simulation Sessions on September 19 in Princeton, New Jersey; September 20 in Philadelphia; and September 21 in New York City. They're designed to accelerate transformation by:

- Simulating strategy and change
- Teaching new strategy skills in hours
- Moving beyond strategy as usual
- Aligning your company around key strategic challenges

These half-day workshops are perfect for team building and a great way to explore your organization's strategic mindset! [Learn more and reserve your spot.](#)

In the Press

- Are Stock Buybacks a Corporate Scam? ([BBC Business Daily](#))
- We'll Have the World at Our Feet If We Think Like True Innovators ([The Times](#))
- Shortlisted for Thinkers50 Distinguished Achievement Awards ([Thinkers50](#))
- Top 100 Human Resources Influencers of 2019 ([Engagedly](#))

Where there is uncertainty, there is also opportunity.



Here's to your next advantage! - Rita

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