

# Is it time to have a new strategy for strategy consulting?

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Issue 35, spring 2020

ISSN  
2995-1550 (digital)

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## Cite this article

Czerniawska, F. (2020). Is it time to have a new strategy for strategy consulting?  
*Strategy Magazine*, (35), 8-11.  
<https://strategymagazine.org/strategyissues-2/magazines/strategy-magazine-issue-35>

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## Article abstract

Physicians rarely take their own medicine. Cobblers' children go without good shoes. Builders never finish the improvements to their own houses. To this list of truisms, perhaps we should add: strategy consultants don't always have a strategy. Strategy consulting in the traditional sense is often not linked strongly enough with implementation and the delivery of benefits. It is therefore vital for strategy consulting firms to find a new strategy that is better, clearer, and has a more consistent way to measure value.

# Is it time to have a new strategy for strategy consulting?

Strategy consulting in the traditional sense is often not linked strongly enough with implementation and the delivery of benefits. It is therefore vital for strategy consulting firms to find a new strategy that is better, clearer, and has a more consistent way to measure value. By **Fiona Czerniawska**

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**P**hysicians rarely take their own medicine. Cobblers’ children go without good shoes. Builders never finish the improvements to their own houses. To this list of truisms, perhaps we should add: strategy consultants don’t always have a strategy.

What’s the evidence for this?

Let’s start with the performance of the consulting market. The global consulting market<sup>1</sup> is estimated to have been worth around \$147 billion in 2019, up 8 percent on the previous year. Strategy consulting accounted for \$23 billion, with growth in line with the market average. While

this rate of increase was solid and created comparatively benign conditions for strategy consultants, it wasn’t the fastest-growing part of the market. That accolade went to technology (which grew by 10 percent), and the reasons why will be obvious to anyone who uses or provides consulting services: digital transformation.<sup>2</sup>

Interest in digital transformation surged in 2015–16, driven by the recognition that new, digital technologies could drive or enable significant change in the way organizations develop new products and services, interact with their customers, and manage their operations. It also tapped into

a strong, underlying desire to deliver more than incremental improvements – senior executives and shareholders, frustrated by the slow pace of change, were looking for faster and more radical solutions. But from a consultant’s point of view, demand for digital transformation services had another impact. To succeed, transformation initiatives now cut across organizational boundaries, meaning that the consulting services required to support them were never ‘just’ strategy, technology, and so on, but a combination of many different capabilities.

Digital transformation has therefore changed the consulting industry in two ways: it has stimulated growth, but it has also cannibalized existing services. In 2017–18, our market data shows that the demand for digital transformation grew 21 percent. But, if we exclude the part of the strategy consulting market that clients and consulting firms themselves now label as digital transformation, then the size of the remaining market – for non-digital strategy consulting work – shrank 4 percent.

If that shift isn’t obvious when we look at the performance of individual strategy firms, it’s because they’ve adapted to the changing conditions – even a cursory scan of the biggest strategy firms’ websites reveals how important technology now is to their business. But the evidence is that they haven’t adapted quickly enough. In 2016–17, when digital transformation first hit the market, the strategy consulting practices of the Big Four firms and big technology companies were growing two or three times more quickly than those of conventional strategy consulting firms.

### A shift in thinking

The difference in growth rates between strategy and non-strategy firms narrowed slightly in 2018, but the latter still faced an uphill battle where clients’ perceptions are concerned. That same year, Accenture, Capgemini, and IBM were all judged by clients<sup>3</sup> to be better at business strategy than Bain, BCG and McKinsey.

At the heart of this is a shift in the way organizations think about strategy. In research carried out with senior executives in the US in 2018,<sup>4</sup> 57 percent said they expected to spend more time on strategy, but they also said their expectations and priorities were changing: “Ultimately,” said one interviewee, “the goal of the strategy function is to make us faster, leaner, and cheaper as a company. If it doesn’t do this, we shouldn’t be working on strategy around it. Speed coupled with simplicity is the ultimate win-win.”

Two-thirds of respondents said they expected to spend more on strategy consultants, but some had reservations: “When you hire management consultants,” commented one respondent, “you’re getting smart people with access to resources, but you might also be choosing a solution that doesn’t quite keep pace with the rapid speed of technology innovation.”

Combining the results of both these studies together, it appears that clients now see strategy – and by extension, strategy consulting – as being pulled in three different directions. Most obvious is the gravitational pull of technology. The reason why clients think technology firms do good strategy work is that they know technology

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#### ABOUT THE AUTHOR

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**Figure 1: The reinvention of strategy consulting**



will be a critical component of their future. Other strategy work has gone in different but related directions. Analysis has always been pivotal to the strategy process, but massively bigger datasets and more sophisticated tools has made analytics a consulting market in its own right. As with digital transformation, demand for analytics work has eaten into conventional strategy consulting. Finally – and this is nothing new – clients want strategy to be linked more strongly to execution. Too much strategy work still ends up in mammoth PowerPoint decks that are never implemented; people and change should be as much a part of strategy as analysis.

#### **Magnetic force**

These three areas – digital technology, analytics, and execution – are the equivalent of magnets, pulling strategy in different directions. Does that spell the end of strategy consulting altogether? No, but what’s left behind will look very

different. Clients see the role of strategy consultants in the future as three-fold: to use creative thinking to solve problems; to help orchestrate the different skills that will inevitably be required in the transformational, multidisciplinary projects of the future; and to accelerate the process of change (Figure 1).

This isn’t work that can be done by smart machines, but depends on good, old-fashioned consulting skills – the ability to think on your feet, find opportunities, and communicate clearly. It’s also crucially different to the type of work done in the digital, analytics, and execution space, in that the role of the strategy consultant is not to provide specific skills in each of those three areas, but to be able to weave together the varied disciplines and perspectives all three will involve. At the same time, this definition of strategy will also challenge the assumed dichotomy between thinking and doing: work around digital, analytics, and execution will require thought as well as action; work at the center of strategy will need action as well as thought.

The practical implications of this for strategy consultants are:

- 1) **A new way to describe what you do.**  
It won’t be possible in the future to go to market as a ‘strategy’ firm, because the focus of strategy work will be to bring together different disciplines.
- 2) **A more fluid, porous organizational model.**  
Keeping your strategy practice apart from other services may help you attract good people, but it’s not what clients want. More needs to be invested in creating environments and cultures that foster collaboration.
- 3) **Making more deliberate decisions about the work consultants will do, and the elements that should be automated.**  
Everyone recognizes that much of the data-gathering work consultants have

done in the past could now be done better, more quickly, and more cheaply using automated tools. But this doesn't mean that robots will be replacing everything strategy consultants do in the future. Certainly, clients expect them to have more artificial intelligence-enhanced tools, but consulting firms will need to take a dispassionate view of the work they do and work out where to deploy them.

**4) Ensuring you have a constant stream of new ideas.**

Creative problem-solving depends on access to new information and different perspectives – and it doesn't happen by accident. Effort, time, and money should also go into ensuring that people – consultants and clients – have access to data and perspectives they can make use of. Thought leadership – the publication of data and analysis by consulting firms will play a critical role in this, but it, too, will need to be rethought if it is to stimulate action as well as debate.

**5) Reinventing the employee proposition.**

Recruiting and retaining high-caliber people is already a struggle for strategy firms, with potential candidates being drawn into the three magnets for consulting work, digital transformation, analytics, and execution. The situation is being made worse by demographic change, pressure on margins, and the need to make appropriate use of automation. Ultimately, this will demand a rethink of why people want to be strategy consultants, to be clear about what makes their role so interesting and worthwhile.

**6) Demonstrating the value strategy consulting can add to clients.**

Of all these recommendations, this is probably the most important. Our research<sup>5</sup> has consistently shown that there is a significant gap between the level of positive perceptions about the quality of work consulting firms do, and the value they add: 41 percent of senior executives think that consultants add value, compared with 68 percent who think that the quality of work consultants do is either 'high' or 'very high'. But strategy directors are the least positive about value – indeed, 16 percent say strategy consultants take more in fees than they add in value.

It may be that expensive strategy consultants are (rightly) being held to a higher standard, but strategy consulting, as traditionally conceived, is often seen to be too theoretical and not linked sufficiently strongly with implementation and the delivery of benefits. In the new model of strategy, as outlined here, that will no longer be the case. It will therefore be imperative for strategy consulting firms to find a better, clearer, and more consistent way to measure value.

Strategy consulting does have a future, but its success will depend on having a strategy. ■

**References**

1. For the purposes of this article, this has been defined as including consulting around strategy, operational improvement, human resources and change, regulation, risk, and technology. It does not include systems development and integration, or outsourcing.
2. Digital transformation means different things to different people, but broadly refers to organizational initiatives designed to deliver significant improvements in performance, enabled by digital technology, and sometimes resulting in industry-wide disruption.
3. Based on almost 10,000 senior executives, working in large organizations in the US, UK, Germany, France, the Nordics, and the Gulf region. Data gathered by Source Global Research as part of its annual client perceptions research.
4. *Does strategy have a future?* published by Source Global Research in August 2018, based on client interviews and a survey of 100 CXOs and their direct reports in the US.
5. Based on responses of around 10,000 executives, who were asked whether recent work done by a specific firm had added value over and above the fees charged, the value added was in line with the work done, or the fees paid exceeded the value delivered.