

Where is Consulting Headed?

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The consulting world is going through an upheaval that culminated with IBM acquiring the consulting division of PriceWaterhouseCoopers (PWC) late last month. We are also seeing Andersen, another giant being consumed by peers in different locations. Where is consulting headed?

Let us first ponder over why these developments are happening.

- The “big 5” (earlier “big 8”) consultants viz. Accenture, Cap Gemini E&Y, Deloitte Consulting, KPMG Consulting and PWC, all had their routes in audit firms. A business model that combined stable but low audit revenues, with high but volatile consulting revenues appeared great.

When the Securities Exchange Commission in the United States cried foul over conflicts of interest way back in the mid 1990s, the consulting giants were in no mood to oblige. However recent accounting scandals have ensured a clear cutting of the umbilical cord between audit and consulting.

- Technology has become omni-present in business. It is a factor in any recommendation that consultants make. Initially technology was seen as hardware - then, as hardware and software – and now, as hardware, software and customware. Thus, IBM graduated from a *mainframe model*, to an *outsourced services model*, and now to *complete solutions model*.

The IBM – PWC deal is in many ways a harbinger of transfer of “big 5” consulting to a new foster parent viz. systems companies. Thus, the “big 5” consulting services is likely to morph into IT Consulting.

Strategy consulting firms like McKinsey, which did not have their origin in audit firms, have the confidence and the track-record to stand on their own feet. No foster parents for them. They will continue their role in answering basic questions for business entities viz. Why do we exist? (*Purpose*) Where do we wish to go? (*Picture*) How do we propose to achieve this? (*Path*)

The pace of action in the business world has come to a stage where it is no longer possible for corporate strategy to be based on only one path. Setting multiple inter-dependent paths – and sequencing them (*Prioritisation*) – will become an increasingly critical role of strategy consulting firms.

Prioritization needs to be continuously reviewed in the light of developments, both inside the organization and outside. Therefore strategy consulting may evolve into a *relationship model* from the *assignment model* that it currently is. *Outsourced strategy planning may well be the order of the day.*

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In response to demands from the corporate world, strategy consulting firms have been trying to “*walk the talk*”. This is a costly exercise for clients, because they pay for the ‘walk’ at the same premium rates that they pay for the ‘talk’. Further, technology, which is such a key factor underlying the ‘walk’, is a different specialization that the strategy firms will find difficult to excel in.

I therefore expect the strategy consulting firms to focus on talk (*Purpose, Picture, Path* and *Prioritisation*) and the complete solutions providers to catalyse the walk (*Process*). The final ‘P’ in this business transformation jigsaw, the *people*, will be the domain of human resources (HR) and organization behaviour (OB) consultancies.

In order to ensure proper co-ordination between the ‘talk’ and the ‘walk’, more strategy implementation frameworks such as the Balanced Scorecard can be expected. The strength of any framework would lie in its *flexibility to adapt to changing path prioritization*. The strength of the strategy outfits would be in having the *foresight to minimize on re-prioritisation*.

No doubt IT consulting companies would also offer strategy as a service. But that would not be the “*real thing*”. Clients who can afford it, will go to the strategy outfits for their strategy (Purpose, Picture, Path, Prioritisation). IT Consulting outfits will handle the strategy implementation (Process). The ‘talk’ and the ‘walk’ may however continue to co-exist in the focussed consulting outfits, such as Kurt Salmon Associates (Consumer Goods, Retail and Healthcare).

A combination of software and technology transformed customer relationship executives to call center executives, often referred to as ‘*cyber coolies*’. The same forces of software and technology, together with enabling strategy implementation frameworks, will transform ‘management consultants’ who think within structures, to ‘*management coolies*’ or ‘*coolie consultants*’. Consultants who think outside structures (strategy consultants and HR / OB consultants) will hold their fort.