

A Call to Action

Consulting 3.0 Is Here

The Consulting Profession, its People and its Processes Have Radically Changed. Have You?

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Consulting in 2013 is vastly different than it was just a decade ago, or even just a few years ago. And it's barely even recognizable from what it was in the earliest days of the profession, when big ideas and executing them in an operational way was the key to success. The second generation of consulting focused mainly on information technology—think hardware and custom software development.

Those ships, as lucrative as they were for the profession, have sailed and the profession today is poised on the precipice of a radical sea change. The next generation of consulting has arrived and it will impact nearly every aspect of the consulting profession. If big strategic ideas and operational efficiencies (Consulting 1.0) and the dawn of IT and ERP (Consulting 2.0) were transformative—and they were—they will pale in comparison to what comes next: The convergence of technology, information and business like nothing we've ever seen before. This convergence will have a profound impact on the consulting profession. We're calling it Consulting 3.0.

In the new "Consulting 3.0, several of the tried-and-true profitability metrics and delivery models that firms have relied upon for years will not only be tweaked but rather will be transformed into a completely new set of rules for running a firm. And these shifts are game changers.

Be warned: If your firm isn't prepared to meet these new challenges head on, you will see the impact on your business and bottom line sooner than you think. In fact, they probably are already impacting your firm in profound ways. But here's some good news: These "challenges" aren't threats at all—rather they can be opportunities for firms to redefine the way their business operates, how they serve clients and even how to attract and retain talent.

WHAT IS CONSULTING 3.0?

It's a mindset more than a mantra. Massimo Russo, a Senior Partner at Boston Consulting Group, and others, have described this new business era as the "industrial internet," while

the McKinsey Global Institute prefers the term the "Internet of Things." McKinsey, by the way, says it is one of the most under-hyped trends and estimates an economic impact topping \$6 trillion by 2025.

It's Digital, it's Cloud, it's Collaboration Tools, it's Mobile, it's Wireless... it's client delivery in the age where technology is ubiquitous, unlimited information is assumed, and both can be accessed anywhere, anytime and by any device. That's Consulting 3.0. And it's having a disruptive impact on several aspects of consulting, but particularly on the people, performance and process of consulting.

PEOPLE AND THE NEW WAR FOR TALENT

Nowhere is the impact of this next generation of consulting more profound than on the new talent war. This next generation of consultants is very much attuned to growing up in the digital age. They have had, for nearly their entire lives; unlimited access to information and their clear expectation is that access will continue to grow. It's non-negotiable.

And this next generation of talent is forcing consulting firms to recalibrate their own definition of what it means to be a consultant. In its most basic form, the traditional definition of a consultant is one who provides advice and counsel to business. But if everyone—clients included—has access to unlimited and infinite information, what are consultants bringing to the table? What does it mean to be a consultant these days? The short answer, for most firms, is a transformation of talent from advisor to solution provider. Having people that are able to navigate oceans of information, decipher mounds of data and then deliver implementable solutions will be the differentiator for firms.

But it's not just the new consultants that are shaking up the traditional status quo. The dy-

namic is also changing at the other end of the talent spectrum. In Consulting 3.0, firms are also more highly valuing more experienced, digitally-savvy consultants. For years, firms have been talking up their experienced talent. But in practice, for the last decade or so, firms have hired fresh MBA's for talent and tried to supplement their workforce with senior-level people nearing the end of their careers for experience.

Smaller and niche firms have seen success with this model since their businesses aren't predicated on high travel, which can be attractive to an experienced consultant looking for one more go round. Larger firms, however, have struggled making this transition, and are only recently realizing the model. Today, larger firms are going out and bringing experienced, high-priced talent back into the fold, including experts who may have been downsized during economic downturns. As a result, the cost of consulting talent today—industry wide—is higher than it's ever been before. And that higher cost of doing business has a cascading effect throughout the profession.

The old model of charging a client three times what the firm is paying its consultants is gone—forever. Those margins and metrics simply don't work anymore. Consulting firms have to figure out how much of that front-end diagnostic work they've always been paid for in the past can be productized and delivered in the most cost-efficient way. If done correctly, it will drive additional client work.

Firms have shifted to a senior-level, experienced hiring model. But, as I mentioned that's expensive and the cost of senior-level talent is a growing issue with the Big Four or any of the larger enterprise firms; in fact, any firm with thousands of consultants is facing this dilemma. This senior-level model is very difficult to sustain when the

cost of the people keeps going up and the ability to monetize those people is flat—or perhaps, even decreasing. As a result, the cost associated with more senior-level talent has actually created a brand new service delivery model in the consulting profession.

PERFORMANCE AND NEW DELIVERY MODELS

The concept of delivering expertise through experts is the very essence of professional services and consulting value proposition. But a lot of firms, especially the larger ones, are grappling with the traditional program management model where firms have a staff of people going to a client to deliver a set of services. As firms are rapidly discovering, that model has limitations. The biggest one, of course, is a lack of resources, both human and financial.

As a result, one of the fundamental changes that is occurring in this new era of consulting is alternative delivery models. Forward-thinking firms are coming up with more efficient ways to deliver existing services. Many of the larger firms are in the process of coming up with tools and assessments that require either fewer people or programs that are more scalable.

In the Human Resources consulting market, for example, firms such as Towers Watson and Mercer are experimenting with a new type of offering, an organizational assessment program—one that's fueled by crowd sourcing and collaboration tools—that runs the gamut from employee satisfaction to client satisfaction. These new “minimally invasive” offerings are client-executed, self-assessment tools, thus requiring a lot less human resources from the firms themselves.

Once a client self-identifies the problem through one of these tools, then the higher end

solution selection and implementation work can begin. This type of arrangement better serves both the consulting firm and the client. In the old model, the up-front work was being done by the firms, which required a lot of high-priced talent. But ultimately, what clients are demanding from consultants is more expertise on the implementation side. This doesn't take a cast of thousands. It takes the high-value, high-expertise talent that smart firms are employing.

This kind of client collaboration that consulting firms have long talked about—partnering with a client and then unleashing the full power of their firm's intellectual capital—is finally becoming a reality. The technology has arrived. And, perhaps just as important, a new collaborative-consulting mindset has finally arrived. Simply put: new technologies are making the long-held promises a reality.

PROCESS AND A NEW AGE OF TRANSPARENCY

Consulting 3.0 brings with it new rules: Firms that offer transparency into performance firm metrics; management processes and financial results build trust with employees. Firm leaders have to make sure their people—especially their top performers—are engaged and connected, understand how the firm operates, how client projects are assigned, measured and evaluated and how they fit into the metrics of profitability.

It's not just lip service; it's an urgent imperative. And too many consulting firms simply aren't doing it. In fact, in a recent survey conducted by Consulting magazine, 65 percent of Consultants say they'd prefer more insight into the inner workings of their own firm. Clearly, transparency into operations is lacking and it's an oversight. In this “open-sourced” business environment, protecting intellectual capital and

the how-to for building a better mousetrap simply doesn't compute, particularly with the incoming generation of consultants. In order to survive, thrive, and not be rejected by this next generation of employees, consulting firms will have to undergo a cultural renaissance like we've never seen before. Secrecy and guarding assets, both internally and externally, are your father's consulting business. To earn trust today, consulting leaders must instill a sense of transparency the likes of which is only seen only today in a small number of employee-owned niche firms today.

From a profitability standpoint, most firms still operate in a month-to-month planning cycle with a real concentration on business development that focuses on key people, not key processes. Part of that problem, of course, centers on the very nature of consulting. In a large global partnership, it's majority rules and consensus wins.

Today, you have a level of transparency that's a little greater than it was in the past, but it will never be fully transparent in the partnership model. In fact, it would be a mistake for a partnership to be completely transparent, but in Consulting 3.0, they'll have to find ways to move the needle. New technologies can help, particularly in the areas of client delivery and intellectual capital.

With access to information everywhere and technology that's ubiquitous, firms would be wise to embrace the full institutional knowledge they can bring to the table. Their value proposition centers on knowledge, not only of their own people, but also of accumulated insights housed in past deliverables. Too often too many firms stow that knowledge in a lock box (and some even throw away the key)! Somewhere, there is a vast yet untapped database of every engagement the firm has ever

done with every client, and how firms unlock it, how they leverage it, and how they allow their own people to access it remains a huge challenge—and a huge opportunity for firms that hear the alarm bells and proactively pursue transformation.

In Consulting 3.0, consultants will be able to pick up a tablet and access a wealth of firm knowledge in a nanosecond, tapping all the firm's collective power. Clients have proven time and time again that they will pay for expertise; they will pay for the institutional knowledge that comes from a firm that's seen a scenario before and solved it.

Most consulting firms today simply can't unleash the total power of the firm in real time. That's a problem that needs fixing... and fast. Soon, this kind of access to insight will no longer be an aspiration, or even an advantage, for any firm. It will become, in the not too distant future, table stakes.

It will be the price of admission; the cost of doing business. In the new Consulting 3.0 model, intellectual capital becomes digital infrastructure, highways and byways for the experienced talent that flows through the firm. Consulting firms that can't unlock their assets will become road kill... in a hurry.

CONCLUSION

A new age of consulting—Consulting 3.0—is upon us and brings with it many challenges and opportunities. It is an age that is driven by massive, tectonic shifts in the technology landscape for both consultants and clients.

Forward-thinking firms have already begun the process of shifting mindsets, particularly around people, performance and process. Those that haven't, and don't plan to anytime soon, are in trouble and will soon be out of touch and out of time.