

# Consulting at the cusp of Disruption

A decade ago **Clay Christensen** argued that the traditional consulting model will be disrupted.

While he may have been early, it's clear his prediction is now coming true, and change is certainly coming to management consulting.

#1 Prediction	#2 Prediction	#3 Prediction
<i><b>Value-based pricing</b> will account for a larger share of business than per-diem billing</i>	<i>Most large companies will hire former consultants for <b>internal strategy groups</b> and move more work in-house</i>	<i>Customers will demand <b>greater speed, responsiveness</b> and <b>control</b></i>
#4 Prediction	#5 Prediction	#6 Prediction
<i>Shift from integrated solution shops to modular providers, <b>specializing</b> in supplying a specific link in the value chain</i>	<i>Top firms will battle for market share of large enterprises, but the real story begins with smaller clients – “<b>Small Customers are Unguarded</b>”</i>	<i>The steady invasion of <b>hard analytics</b> and <b>big data</b> is a certainty in consulting</i>

Source: Harvard Business Review, “Consulting at the cusp of Disruption”, October 2013

# Clients today prefer execution led engagements over pure strategy, value-based pricing has become the norm for large-scale transformation programs

## 1 Clients want Strategy + Execution over Strategy-only engagements

Such engagements..

- Give clients **greater control** over deliverables.
- **Greater satisfaction**, as they don't pay for services/solutions they don't need
- Create pressure on consulting firms to deliver **quick and tangible value**.

### What have we heard?



- Based on **McKinsey's internal estimates**, Strategy-only engagements down from **45%** in 2010 to **25%** in 2023.
- A 2019 **BCG** report highlighted, Strategy + Execution made up **48% of their total revenue**.
- **Accenture and Deloitte** report over **60% of their** engagements now combine strategy with execution

## 2 Clients prefer success-fee based engagements

Such engagements..

- **Ensure value delivery** as clients give final sign-off before invoicing
- **Greater satisfaction**, as they don't pay for services/solutions that don't generate positive PnL impact.

### What have we heard?



- Based on 2022 **McKinsey report**, Success-fee engagements up from **5%** in 2012 to **20%** in 2022.
- A 2020 **Bain & Co.** report highlighted, **30% of engagements with PE firms** were success-fee based.
- **Deloitte** has reported a **20-25% increase** in success fee-based contracts over the past five years

## 3 Clients have their own internal strategy teams and have moved work in-house

Such management functions..

- Help clients **supplement critical decision-making with data-backed insights** previously provided by consulting firms.
- Have **reduced professional services** spend in most Mid to Large size businesses.

### What have we heard?



- Based on 2022 **McKinsey report**, **40%** of large corporations globally have internal strategy teams up from **20%** in 2010.
- A 2021 Deloitte study, corporations with internal strategy teams have cut back **15-20% on consulting spend** over the **last 3 years**.

### Founder's Experience

*"At KPMG India's Strategy & Operations Practice, Of the 5 engagements I worked on in my last 2 years (2019-2021), 4 were strategy + execution of which 3 were large cost transformation programs with 100% success-fee"*