Even I Don’t Like Consultants
by Charles B. Wendel

Two weeks ago, *The Wall Street Journal* published an article whose title summarized the story’s bent: "Consultants Are Paid to Fix Businesses. Why Can't They Fix Their Own?" Basically, the reporter recounts job cutbacks and reduced compensation at some major firms, as many big-name consultants find themselves adversely impacted by the current focus on cost reduction across corporate America.

In a tone that approaches gloating, the writer states: “Big and established consulting firms such as McKinsey, BCG, and Deloitte, which are paid to predict the future for the world’s biggest corporations, have gotten their own destiny wrong. The fallout is messy.” And some degree of gloating may be appropriate. Big consulting companies over hired during the pandemic in response to a spike in client demand. Now that hyped up demand is gone.

Press reports last week noted the stress at what was once the most prodigious consulting firm. From *MacroEdge:* “McKinsey is now offering staff 9 months’ severance if they agree to leave the company, in a bid to reduce headcount amid a huge downturn in professional services.”

This news was accompanied by an extensively researched March article in *Econ Journal Watch* that reviews multiple studies that McKinsey produced on DEI in 2015, 2018, 2020 and 2023. The McKinsey partner coauthoring those studies stated, “What our data shows is that companies that have more diverse leadership teams are more successful. And so, the leading companies in our datasets are pursuing diversity because it’s a business imperative and driving real business results.” Of course this encouraged a new advisory focus for consultants.

The *EJW* academics tried to replicate McKinsey’s results but could not do so: “In conclusion, our results indicate that despite the imprimatur often given to McKinsey’s 2015, 2018, 2020, and 2023 studies, McKinsey’s studies neither conceptually (in terms of the correct direction of causality) nor empirically (in terms of their set of large US public firms) support the argument that large US public firms can expect on average to deliver improved financial performance if they increase the racial/ethnic diversity of their executives.” In short, little to no evidence for claiming positive DEI impact exists.

Fewer clients and eroding prestige have resulted in more forced turnover across the consulting world. Even lower-level consultants with limited experience are hunting for billable work. They may be experiencing what one very senior consultant described before I joined the industry decades ago. In his words junior consultants were “cannon fodder,” defined in one dictionary as “soldiers regarded merely as material to be expended in war.” Nice. In addition, though, this time more senior consultants are being “outplaced.” Tenure does not exist within consulting; smart consultants and problem solvers may lose out to revenue-generators.

Virtually all the consultants highlighted in the *WSJ* article suggest that the worst is over and that a business upswing is occurring. Their comments reminded me of a McKinsey alumni party that I attended during an earlier rocky economic period. During conversations with my colleagues all of us agreed that our careers were going great, and we had no economic worries. Some of us were either lying or deluding ourselves.

What's happened to consulting?

1. The supply of consultants exceeds demand. When I was at McKinsey decades ago, there were roughly 2000-3000 consultants worldwide. While current estimates vary, the number is likely 30,000+. Other firms may have had similar growth. Maintaining quality while explosive growth is occurring may be impossible to achieve.
2. More competitors offer consulting-like services. Just as the big firms have completed acquisition to take them into new areas, so too have some IT, PR, Marketing, Branding, and other firms entered the more traditional consulting space. And many charge lower fees.
3. The Internet now exists. Many large firms rely upon billing out as many junior people as possible, providing leverage to senior consultants who can manage multiple companies. But access to information is now much easier, and many client employees possess skills at least equal to those of a junior consultant.
4. It is budget crunch time everywhere. Consultants are an easy target for cost reduction.
5. Consultants need to promote the next big thing in order to continue to maintain their clients. AI is now the consulting watchword, the new BIG thing that will change the world. Maybe, but I see some consultants pushing AI because it is in their own interest rather than focusing on more fundamental client issues. And in a year or two will AI be replaced by the next big thing?
6. Clients may be viewing big consulting firms, many of them generalists, with increased skepticism. Here's an idea from the WSJ article that I like (wonder why?): "Clients have demanded that consultancies charge less. Some are trying to save by hiring experienced freelancers who work solo, often specializing in a single industry, said Pat Petitti, CEO of Catalant, a freelance marketplace for consultants. Not only is it cheaper than engaging a big-name firm, he said, but clients don't have to spend as much time bringing teams of consultants in their 20s up to speed." I've always been amazed by the self-confidence of some underinformed young consultants.

In fact, I have tremendous respect for great consultants who put their clients first and care deeply about providing solutions that will improve the company's performance and make employees more effective. The problem is there are relatively few of these consultants, and the current economic environment and consulting culture may be eliminating many of them.

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