

# Management innovation in the UK consulting industry

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INSTITUTE OF  
CONSULTING



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# Foreword



Innovation is crucial to an organisation's ability to retain competitive advantage, especially when faced with the economic pressures of today. The consulting industry was born out of this belief and continues to be a source of support for organisations looking for that expertise. However, there is very little research on how the experts in this field develop their products and services to ensure they stay at the cutting edge of innovative working practices.

Some industry commentators have recently asked whether the sector is in need of a new 'big idea'. We have listened carefully to the industry's views and this report offers a hard-edged, commercially realistic analysis of that challenge.

As international, national and even local economies change and react to markets in turmoil, our clients' outlooks reflect these changes, often defensively. Consultancies need to identify and respond to these factors, and then modify their responses to fit their clients' changing needs and expectations. Developing creative capital within the industry will remain essential. However, over-reliance on formal innovation processes will run the risk of standing in the way of innovation itself and thus marketplace survival.

This report is a timely call to the consultancy industry to adapt. Whether lone practitioners or multi-disciplinary practices, consultants need to become more innovative and adaptive in their proposals, methods and solutions, while traditional client/consultant boundaries need to be challenged, stretched and even broken. Consultancies may also need to be more open to partnership working with other agencies, such as academia or even competitors, if they are to respond effectively to the pressures of the current high-cost, low-resource business environment.

This has implications for our clients too. It suggests both parties become more fluid in their approach to procurement in order to develop greater collaboration and move away from the more traditional client/provider approach.

In return for these privileged 'collaborative' relationships, the consultancy industry must strive to improve standards and provide crystal clear evidence of its professional conduct, practice and ethics. Trust, credibility, accountability and responsibility will be the key drivers of the new relationships, and are vital to ensure sustainability.

In today's tough economic climate, the need for private sector growth to lift the UK out of recession's reach will only be met through innovation, offering the potential to usher in a renaissance for the UK consultancy industry. This report argues that a search for the next 'big idea' will end up looking in all the wrong places. It calls for an evolution, not revolution, in innovation management which, if heeded, will bring benefits for consultants and clients alike.

This aim of this report is to stimulate consultancies to be more innovative and thereby add more value to their clients. I hope that you find it achieves both these objectives.

**Judy Craske**

Council Chair, Institute of Consulting

# Executive Summary

Despite a lack of detailed studies on the subject, many commentators have suggested that innovation in the consultancy sector is under pressure. In the words of *The Economist*, “the consulting industry desperately needs a ‘New Big Idea’”. At its most basic, this report refutes that argument.

Rather than finding that innovation has declined in the consulting industry, this report argues that innovation has shifted. It is true that there are pressures on innovation: utilisation levels are up and profit margins are down, which has led to less time being available for training and research and development. Moreover, the cumulative experience of clients in dealing with consultants and the growing use of procurement have also placed pressure on the ‘added extras’ packaged up with consultancy projects.

Yet it is a mistake to associate the absence of big consultancy innovations like Business Process Re-engineering (BPR) or Total Quality Management (TQM) with an absence of innovation. As this report shows, innovation actually appears to be increasing rather than decreasing. These innovations are, however, more rarely the big name programmes, and more often local, client-focused innovations that can easily slip under the radar of researchers. Such projects are driven by a more discerning client who is often wary of being sold a ‘one-size fits all’ product, and are frequently undertaken as joint initiatives between clients and consultancies. Such arrangements provide clients with more control and consultancies with reduced overheads.

- Key findings**
- Innovation is primarily driven by the need to ‘differentiate from the competition’, a factor identified as important by 64 per cent of respondents.
  - Only 21 per cent of respondents have a ‘formal innovation process’.
  - Innovations are most commonly initiated through ‘working with clients’, a practice highlighted by 26 per cent of respondents.
  - Sixty-nine per cent of all respondents believe innovation has increased in the last five years.
  - Since 2005, there has been a 36 per cent increase in respondents reporting the introduction of new or improved services in their consultancy.
  - Access to external research, high levels of autonomy and strong upward communication were rated as the most important enablers of innovation.
  - The main constraints on innovation are seen as being lack of time due to high utilisation rates, and low levels of risk taking by clients.
  - Fifty per cent of consultancies report working with clients on innovation, a figure up from 22 per cent in 2005.
  - Eighty-three per cent of respondents believe that procurement hampers the sale of innovative consulting services. This is felt equally by those specialising in the private and the public sectors.

# 1. Introduction

## 1.1 About this report

This report examines management innovation in the UK Management Consultancy sector. It looks at what enables and constrains management innovation at individual, organisational and industry levels of analysis. It is informed by analysis from both the management innovation and the management consultancy literature with additional insights from the fields of service innovation and knowledge management. The report concludes with recommendations to individual, organisational and industry decision-makers concerning the promotion of innovative practices in the industry.

## 1.2 Aims and objectives

The aims of the research project are to:

- Explore what is meant by innovation in management consultancies.
- Examine the forces that enable and constrain innovative practices in consultancies.
- Describe how innovation is changing as a result of changes to the industry and its context.
- Explore how innovative practices are initiated, developed and disseminated.
- Determine how and why different types of consultancy are associated with different types of innovation.

## 1.3 Methodology

The research originated with a two-year research grant funded by the Advanced Institute of Management (AIM) through a Fellowship in Management Practices. It is based on both quantitative and qualitative data gathered from consultants, procurers, clients and industry analysts.

The primary qualitative material comprises 70 interviews with senior representatives in a variety of consultancies, clients and professional bodies and three in-depth longitudinal case-studies, comprising consultancies that are developing management innovations. The primary quantitative data were gathered from a questionnaire sent to members of the Institute of Consulting and the author's own consultancy database. The response rate was 11 per cent (n=399).

The report also draws on data from the Community Innovation Surveys (CIS). This is a UK survey of all industries which is conducted by the Department for Business, Innovation and Skills every two years. The data from this survey has not been analysed specifically at the level of consultancy before and doing so provides a useful longitudinal analysis to supplement the research project. The results presented here were analysed at the level of 'Business and Management Consultancies' (n=133) over three collection phases: 2005, 2007 and 2009.

## 1.4 Management innovation in consultancies: an overview

The invention and implementation of new management processes, techniques or structures is widely believed to have a significant and positive impact on economic productivity and efficiency (Hamel 2007; Birkinshaw et al. 2008). Yet, compared to 'technological innovation' or even 'service innovation', academic research into 'management innovation' is still in its infancy<sup>1</sup>. Such a fact is lamentable given that management innovations frequently underpin, or are demanded by, the development

<sup>1</sup> EBSCO Search Data 05/06/2011, Terms: "technological innovation" = 3312; "service innovation" = 341; "management innovation" = 239.

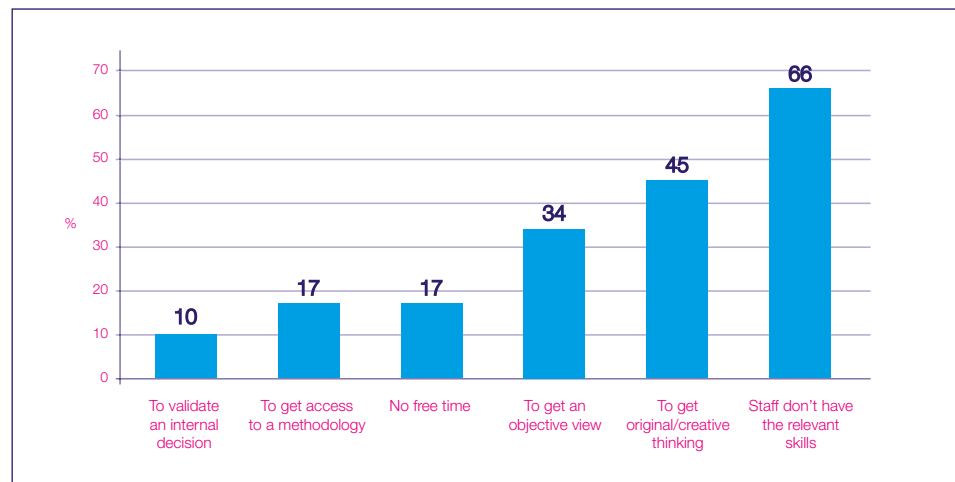
of both new services and technology (Hamel 2007). Compared to service or technological innovations, management innovations are explicitly internal, and seek to transform the way in which organisations structure and co-ordinate their activities, resources and processes. Yet, for one industry, management innovations are not simply a way of enhancing internal co-ordination, but are the sole purpose of their productive activity. This industry is management consultancy.

Despite its relative youth compared to other professional services such as law or accountancy, consultancy has been one of the most successful of the knowledge industries, with revenues expanding over 10,000 per cent in the last thirty years alone (O'Mahoney 2010). Yet, its interest for innovation studies is not due simply to its success but also because, at its most basic level, management consultancy sustains itself through the generation, development and dissemination of management innovations for client organisations (Clegg et al. 2004; Engwall and Kipping 2002).

Innovation in consultancies is a relatively cheap exercise. Unlike technological innovation, there are no raw materials, long development processes or complex testing procedures. For this reason, whilst consulting services have one of the lowest R&D spends as a percentage of turnover at 0.7 per cent (NESTA 2009a) they generate one of the highest reported levels of innovation among UK sectors (NESTA 2009b). That consultancies will witness a management issue many times, which an individual client will experience perhaps only once, enables them to develop and hone solutions and expertise in the same way that other companies create and test services or technologies. These efforts have meant that many of the most prolific management innovations such as TQM or BPR have been created through partnerships with consultancies (Wood 2002).

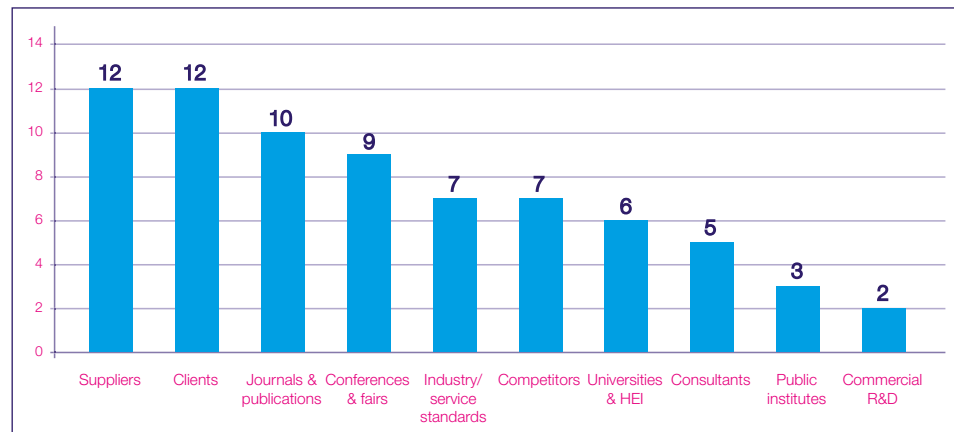
It is often assumed that consultancies are one of the primary sources of management innovation for clients. However, two surveys shed some doubt on this. The first comes from the Management Consultancies Association (Czerniawska 2006) which showed that the top reason consultancies were recruited was because client staff did not possess the relevant skills (66 per cent). Whilst original and creative work took second place (45 per cent), getting access to proprietary methods and tools prompted a response from only 17 per cent of respondents.

**Figure 1** Why Clients use Consultancy (Source: Czerniawska 2006)



The second relevant survey came from NESTA (2010). This showed that when organisations were asked about their external sources of innovation, consultancies were specified by only 7 per cent of respondents, ranking the industry as 8th, closely behind competitors and universities.

**Figure 2** Sources of external knowledge (NESTA 2010)



Yet, innovation clearly impacts a consultancy's performance. Research by NESTA (2009b) showed that consultancies that were categorised as innovative had twice the sales growth of those that were not. The difference was more marked in industries such as software, IT and law, but less so in energy or architecture.

Yet, despite the growing importance and influence of the consulting industry as a site of service innovation, we still know relatively little about the dynamics, constraints and enablers of the phenomena. Two manifestations of this neglect are evident. Debates regarding innovation are, for example, frequently stymied by polarised assumptions regarding consulting innovation. On the one hand, some academics simply assume that consultancies are, at their most basic, 'innovation factories' (Hargadon & Sutton 2000: 161) developing effective new solutions which have a positive impact upon clients and the wider global economy (Birkinshaw & Mol 2008; Anand, Gardner, & Morris 2007). On the other, some writers represent consulting innovations and interventions as 'old wine in new bottles' (Sahlin-Andersson & Engwall, 2002: 278), depicting the consultants that sell them as witch-doctors or charlatans (Clark 1998; Argyris 2000; Whittle 2005). As a consequence, consulting innovation often tends to be represented rather simplistically on a bipolar scale, with consultancies either being 'innovative' or 'not innovative', a characterisation which belies the myriad of ways in which knowledge and service companies can generate innovations (Nabil et al. 2009).

In recent years, several commentators have implied that consultancies are moving from the more creative end of this scale to the other. In academia, several studies have suggested that consultants now perform relatively standardised roles (Sturdy et al. 2008) or maintain stability rather than push for change (Furusten 2009). From an industry perspective, surveys have noted client dissatisfaction with the creativity consultants bring to projects (Czerniawska 2008) whilst The Economist (2008) blamed the narrowing margins of the industry on their lack of a 'big idea'.

Certainly, as we see later, there are reasons to think that innovation might be under pressure. However, many of the studies which indicate this were either based on qualitative work or were not in-depth studies of innovation per se. Indeed, there have been virtually no studies which have sought a detailed, qualitative and quantitative understanding of management innovation in consultancies. This report then, seeks to answer the question ‘what is happening to innovation in the UK consulting industry, and why?’ In doing so, the report draws on a wide range of evidence to argue that management innovation, at least in the consulting industry, should not be depicted as an ‘either/or’ polarity and points to a fundamental shifting in the nature of consulting innovation due to a number of long-term changes to economic conditions, client purchasing arrangements, consultancy ownership patterns, and globalisation.

## 2. Results

The sections below set out the central argument of the report using data from interviews and the surveys. It first illustrates what consultancies mean by innovation and shows that the biggest driver of management innovation is the recession: the need to differentiate from competitors in an increasingly competitive market, and the requirement from clients to find new ways to help them out of the recession. The section then outlines the difficulties consultancies face in generating this innovation especially with regard to meeting its cost. Consequentially, it argues that many consultancies seek to save money by co-innovating, and therefore co-funding innovation with clients.

### 2.1 What do consultancies mean by innovation?

Whilst academics have a number of competing definitions of management innovation, the innovators themselves are rarely asked. When our survey asked what they meant by innovation, respondents provided a number of qualitative answers that could be coded down to four main categories:

- **New solutions (53 per cent):** creating products, processes and services which are new, either to the market or to the consultancy itself. It is this area on which most research focuses.
- **Adapting solutions (21 per cent):** modifying existing products, processes and services, often for entry into new clients or markets. This ‘evolutionary’ approach to innovation, as we discover later, is the most common form of innovation.
- **Thought leadership (14 per cent):** papers, concepts and research that provides new insights or advice. This may relate to new or improved solutions, demonstrates competence to the market and can enable the creation of new demand.
- **Creative problem solving (12 per cent):** ad hoc solutions which do not lead to new products but which overcome an issue for clients or consultants. This is especially common in strategy consultancies or small, boutique consultancies that sell the experience and expertise of a few consultants.



When asked which types of management innovation they most commonly developed, consultancies suggested modifications to existing services as the most common form of innovation. The topic which dominates academic publications on management innovation, ‘new consulting products and services’, ends up fairly low down the list (Table 1).

**Table 1** What types of innovation does your company most commonly generate? (% respondents answering frequently or quite frequently)

	%
Modifications to existing services	78
Changes to internal processes	61
New thought leadership material	55
New consulting products & services	52
Changes to internal organisation structures	43

## 2.2 Why innovate?

During interviews, one of the most commonly noted features of the consulting industry was the increase in competition due to macro-level trends. These included:

- The absolute increase in numbers of consulting firms in the UK.
- The movement of strategy firms into more operational forms of consulting.
- The addition of consulting functions to non-consulting firms such as law and engineering.

These forces have exacerbated the declining margins in the industry, lowered day rates and forced consultancies to seek ways of improving their competitiveness in the market (Kennedy Information 2010). It is perhaps unsurprising then that consultancies perceived ‘differentiating from the competition’ as the number one reason for innovating (Table 2). Furthermore, when those who reported that innovation was increasing in their company were asked why, the highest percentage of answers concerned the need to differentiate from competitors in the face of increasing competition (29 per cent) followed closely by demands from clients for new ways to help them out of the recession (28 per cent).

**Table 2** How important do you believe developing new consulting products and services are to... (% of respondents answering very important or important)

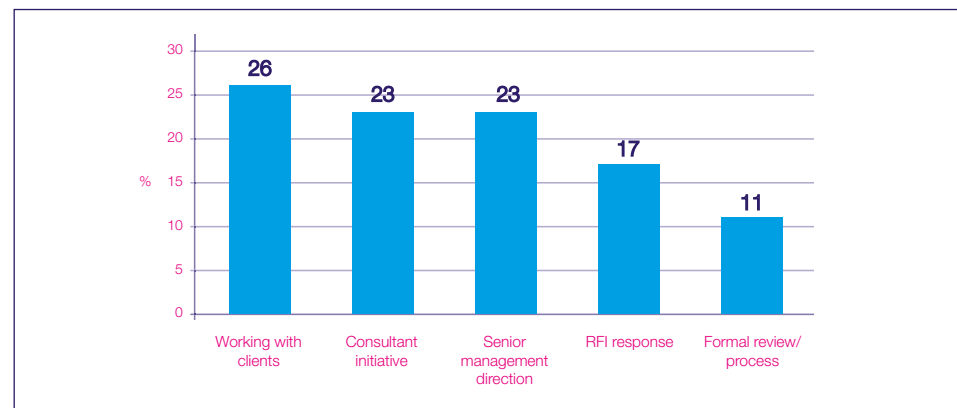
	%
Differentiating from the competition	64
Demonstrating knowledge/excellence	59
Gaining new clients	48
Maximising income/sales	42
Keeping consultants interested in their job	39

Other categories relate to the importance of demonstrating excellence, winning new clients and keeping consultants interested in their job. The latter point is important to note because unlike the others it does not concern sales but is focused on internal issues. This point relates directly to what many have termed the ‘war for talent’: as profit margins have decreased and utilisation levels have increased, consultant salaries have remained static for several years (Top-Consultant 2010). As a consequence turnover rates are at 14 per cent and morale has plummeted (Consulting Magazine 2011). To combat these forces, consultancies have turned to non-financial means of keeping talent, one of which appears to be engaging them with innovation work.

### 2.3 How is innovation initiated?

While 21 per cent of respondents had a formal innovation process, the other 79 per cent relied upon informal, flexible arrangements which suited an array of different initiatives. This was skewed towards the medium and large consultancies (with 20+ FTE) which were almost three times as likely as smaller ones to have a formal process. Yet, when asked how innovations were initiated, the ‘formal review/process’ was the least favoured response. Instead, ‘working with clients’ formed the most common initiator of innovation, followed by ‘consultant initiative’ and ‘senior management direction’ (Figure 3). Such a finding clearly distinguishes the management innovation process from the traditional product or software development process, where structured processes and methods form the backbone to much innovation work.

**Figure 3** % of respondents reporting how innovations are initiated



Interestingly, and contrary to some qualitative accounts, neither the size nor the ownership of consultancies appears to have any impact on how innovation was reported to have been initiated.

### 2.4 Is innovation decreasing?

There was little evidence from either the survey or the interviews that levels of innovation are decreasing in the industry. Indeed, several interviewees argued that the increasingly competitive landscape was forcing levels of innovation to increase. To corroborate this qualitative evidence, our survey asked respondents whether they thought that levels of innovation had increased or decreased over the last five years. Sixty-nine per cent of respondents reported that it had increased whilst only 19 per cent thought it had decreased.

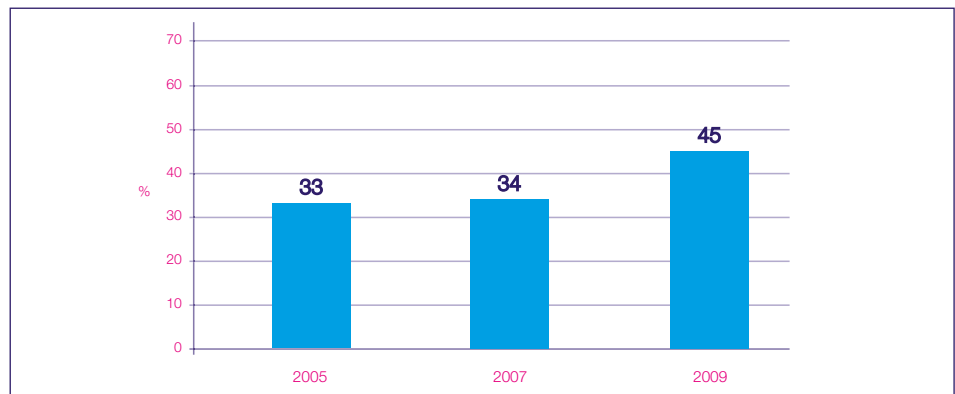
**Table 3** % of different sized companies answering ‘Over the last five years do you believe innovation in your consultancy has...’

FTE	Increased %	Stayed the same %	Decreased %
1-20	69	9	21
21-1000	72	10	18
1000+	66	29	6
ALL	69	11	19

In addition, 65 per cent of respondents believed that innovation will continue to increase in the future, compared to only five per cent who thought it will decrease. When asked to give a reason for this, most respondents suggested that they expected the consulting space to continue to get more competitive.

Of course, a question about levels of innovation might receive a biased response, so it is important to get a longitudinal view of the trends. Fortunately, through the CIS, we can see that an increasing number of consultancies reported that they introduced new or significantly improved services between 2005-2009 (Figure 4).

**Figure 4** % of respondents answering ‘yes’ to ‘did you introduce new or significantly improved services?’ (Source CIS Data 2005, 2007, 2009)



In conjunction with interview data, it appears then that innovation is increasing rather than decreasing in the consultancy space. It is important, however, to interpret these results in the context of a severe recession and a period where competition amongst consultancies is at an all time high.

## 2.5 Enablers and constraints of innovation

A wide variety of strategic factors were cited by respondents as enabling and constraining innovative practices. With reference to enablers, Table 4 shows that access to external research, high levels of autonomy and strong upward communication opportunities are all considered to be highly important in enabling innovation.

**Table 4** % of respondents citing the following factors as important in enabling innovation

	<b>Extremely / Very Important %</b>	<b>Not Important %</b>
Access to external research (e.g. surveys/journals)	68	10
High levels of autonomy	68	11
Strong upward communication opportunities	67	18
High quality recruits	60	25
Time set aside for R&D	56	15
Innovation in objectives/appraisal	53	22
Training of recruits	52	27
Attendance at conferences, workshops and seminars	52	11
Professionalised/accredited workforce	51	21
Work with knowledge partners (e.g. universities)	50	18
IT systems to share knowledge	38	21
Having another company competence (e.g. IT or audit)	24	44
Low utilisation rates	22	39
Having a dedicated innovation team	19	54

When asked about specific policies and procedures (Table 5), brain-storming – both with both clients and internally with peers – dominated the responses. Those using formal development processes only amounted to 14 per cent of responses.

**Table 5** % of respondents citing the following methods as important in enabling innovation

	<b>%</b>
Brain-storming / innovation meetings (internally)	59
Brain-storming / innovation meetings (with clients)	54
Service testing (with clients)	42
Meeting other groups in your company	26
Service testing (internally)	20
Formal service development process	14

The qualitative data seemed to confirm the effectiveness of the cross-fertilisation of ideas, either from clients, other parts of the consultancy or external institutions such as academia or conferences. Some of the most innovative companies that were studied provided what might be termed a ‘loose-tight structure’ for innovation, in that they provided consultants with the opportunities, direction and incentives to develop ideas but did not specify a method, path or specification for doing so.

In terms of constraints to innovation, there were a variety of barriers mentioned by respondents, though many of them revolved around the effects of the recession on both consultancies and clients (Table 6). In interviews, these constraints were given more substance.

**Table 6** % of respondents citing factor as a constraint to innovation

	%
Clients taking minimal risks	46
Lack of time to innovate	42
Client's budget	32
Low demand for innovative services	24
Procurement department bureaucracy	16
High utilisation rates	12
Bureaucracy	12

Clients reported that in times of recession they wanted more tried and tested products and methods, especially in large-scale outsourcing or other cost-cutting implementations. Consultants reported that declining profit margins had forced partners to increase utilisation rates which, in turn, had led to less time available for training and R&D. This concurs with evidence from other studies (Kennedy Information 2010; Consulting Magazine 2011).

There were considerable variations in these constraints, however, by both size and ownership (Table 7). From this table, it is clear that smaller, privately owned companies seem to be hit harder by client-focused constraints whereas larger PLCs appear to be limited most by their high utilisation rates (which leads to lack of available time). Interestingly, although the role of procurement in constraining innovation was frequently mentioned in interviews, it ranked only 5th for SMEs and 11th for large companies.

**Table 7** Top three barriers to innovation by size & ownership

<b>By Size</b>	
<b>1000+ Employees</b>	<b>1-1000 Employees</b>
Lack of time	Clients not taking risks
Utilisation rates	Client budget
Cost of innovation	Lack of time
<b>By Ownership</b>	
<b>PLCs</b>	<b>Private Companies</b>
Lack of time	Clients not taking risks
Utilisation rates	Lack of time
Cost of innovation	Client budget

If we examine the longitudinal data from CIS, we can see a related, though not entirely identical picture (Table 8). In the top six constraints in 2009, four concerned financial issues, one focused on lack of client demand, and one ‘lack of qualified personnel’. That the recession might be at the root of the financial issues is highlighted by the data showing the two biggest increases from 2005-2009 were the ‘cost of finance’ and the ‘availability of finance’ categories.

**Table 8** % increase in responses to ‘what constrained your innovation?’ 2005-09.  
(Source CIS Data 2005, 2007, 2009)

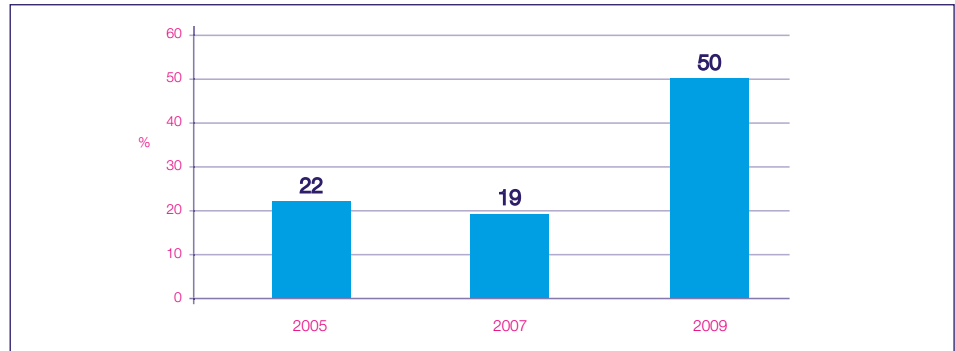
	2005	2007	2009	%Increase
Cost of finance	35	32	47	33
Availability of finance	35	31	45	28
Need to meet UK Government regulations	22	23	27	24
Lack of qualified personnel	35	38	43	21
Lack of info on technology	28	28	34	20
Excessive perceived economic risks	44	35	52	18
Lack of info on markets	31	30	36	16
Need to meet EU regulations	19	21	22	14
Uncertain demand for innovative goods or services	39	34	44	12
Direct innovation costs too high	42	40	46	9
Market dominated by established enterprises	36	28	38	5

## 2.6 How is innovation happening?

The results above highlight two contradictory trends. On the one hand, consultancies report, in both surveys and interviews, that management innovation in their organisations is on the increase. On the other hand, they report that there is less time, money and resources available for such innovation.

The solution to this paradox has been hinted at in many of the findings already presented. Earlier, in Figure 3, we saw that the most common form of innovation initiation was ‘working with clients’, whilst in Table 5, two of the top three enablers of innovation were ‘Brainstorming (with clients)’ and ‘Service Testing’ with clients. Whilst these figures show the importance of client interaction as a snap-shot, the CIS data show that the client has grown in importance over the last decade. First, if we look at the amount of co-operation with external stakeholders undertaken by consultancies during innovation, we can see that it has increased significantly since 2005.

**Figure 5** % of consultancies reporting co-operation with external organisations in the development of innovation. (Source CIS Data 2005, 2007, 2009)



Secondly, in Table 9, we can see not only that partnerships in consulting innovation have increased generally, but that the partnership with clients has increased more than any other stakeholder to the point where it now dominates.

**Table 9** % of respondents reporting different partners in the innovation process (Source CIS Data 2005, 2007, 2009)

Stakeholder	2005	2007	2009	%Increase
Clients	16	14	40	154
Suppliers	16	12	26	64
Competitors	12	7	18	50
Consultants	10	9	15	42
Universities	9	6	10	13
Government	13	5	12	-13

Again, the interview data here provides depth to the figures. Several interviewees explained not only that external partnerships were a useful way of sourcing new ideas, but also a way of sharing the costs of innovation and building loyalty with clients. Examples of this ‘shared innovation’ were incredibly varied, ranging from large co-funded ‘innovation centres’ co-staffed with clients and consultants sharing expertise and intellectual property rights to micro-level interactions where sole-owner consultants would develop proprietary programmes specifically for one client.

## 2.7 Procurement

Whilst these types of interactions are not new to consultancy, most interviewees suggested that they were an increasingly prominent feature of the innovation landscape.

Interestingly for those who have noted the decline of ‘big name’ innovations in the consulting space, it is noticeable that many of the innovations undertaken jointly were far removed from the one-size-fits-all models of the 1980s and 1990s. Instead, a different picture is emerging of a more knowledgeable and sophisticated client with a suspicion of ‘celebrity products’ and a desire for a more measured, bespoke solution to their problems. On the consultancy side, there is an appetite for this way of working, especially in a recession, as it helps build long term relationships with a client and can often lead to a sharing of costs.

In interviews, many consultants and client managers commented on the increased number of projects that were being sourced through procurement. This trend, they suggest, changes both the process and outcomes of sourcing consultancy work. In terms of innovation, consultants identified a number of ways in which they believed procurement could hinder innovation:

- Procurement is perceived as highly risk-averse.
- The function is seen to ‘over-specify’ the solution.
- Conversations solely between client manager and the consultancy can be limiting.
- There is too great a focus on ‘box-ticking’ rather than conversation.
- An ‘obsession with price’ rather than value dominates the process.

Although procurement came only fifth out of a number of factors that constrained innovation (see Table 6), in Table 10 we can see that the vast majority of consultants perceived procurement hampering innovation and project quality. Interestingly, consultancies that specialised in public sector consulting were no more dissatisfied with procurement than those focusing on the private sector. However, medium-sized consultancies appeared to be more dissatisfied than small or large companies.

**Table 10** % responses to ‘Do you think procurement...’

	Yes/ Yes a bit %	Not really/ Not at all %
Hampers the sale of innovative services from consultancies?	83	17
Is a cost effective way of tendering for projects?	35	65
Hampers the quality of project delivery?	72	28
Ensures the best company is employed for the project?	25	75



## 3. Recommendations

This report has argued that, despite increasing resource pressures on consultants, innovation in the industry is not decreasing. It is, however, changing. More sophisticated clients, the need to share costs, higher utilisation levels and the increasing role of procurement mean that innovation tends to be client-specific, shared and based around improvements rather than large-scale, industry-wide innovations. In drawing these conclusions, a number of recommendations can be made to consultancies, clients and researchers of the industry.

**3.1 Consultancies** **Think small:** consultancies should not spend too much time and effort attempting to recreate another BPR or TQM. Whilst these global management innovations will still emerge, clients are more sophisticated and demanding, requiring ideas that are tailored for their local needs.

**Share costs and expertise:** there is little that can be done about diminishing margins or higher utilisation rates, but universities, research institutes, clients and other consultancies will often jump at the chance to share resources on interesting innovative activity if the case is made well enough.

**Explore new frontiers:** innovation is to be found in bringing fresh ideas in and listening to them. Develop boundary-spanning roles, recruit graduates that are not from business schools, interview new recruits about what could be changed in your company, seek out different sources of research and knowledge and organise cross-silo spaces for discussion.

**Enable talent:** providing bright, motivated consultants with autonomy and the ear of senior management is more likely to generate useful innovations than trying to formalise the process through bureaucracy. Innovation involves risk so loosening controls is no bad thing.

**Be proactive:** innovative activity depends greatly upon clients and procurers leading the way in taking risks, having conversations and enabling creativity. This can be supported through communication, education and persuasion.

**Develop your people:** over half of all respondents reported that training, conference attendance and professional, accredited staff were important enablers of innovation. Continuous professional development, it seems, is crucial for developing innovation as a strategic capacity for consultancies.

**3.2 Clients** **Work with consultants:** research shows that companies which invest in innovation during a recession are more likely to come out of it faster than their competitors. Co-working with consultancies on management innovation generates a number of benefits: a closer match of solutions with your needs, more motivated and skilled employees, a potential sharing of intellectual property and association with ground-breaking ideas.

**Take risks:** examine and prioritise the areas of your business where new ideas could put you ahead of the competition. Put aside some of your budget to work with consultancies on new ideas, if possible using a risk-reward form of payment so that risks are shared with the supplier.

**Improve procurement:** sourcing consultants solely on the basis of cost is risky to both the delivery of the project and the innovation that it might bring. Good procurement practice will acknowledge this and procurers should have both the expertise and the freedom to select the best consultant for the best price. An over-specified solution may mean you are not getting the best out of your consultants and minimal consultant interaction with the business owner during the tendering process can sometimes mean the project requirements get miscommunicated.

**Enable expertise:** your consultants will have witnessed the challenges you face dozens, if not hundreds of times, in similar companies. Making the most of this not only involves conversation with the consultancy when defining solutions but also ensuring as much of their skill and knowledge is passed on to your staff before they leave. Clients must enable consultant expertise as much as consultants enable that of clients.

**3.3 Researchers** This survey and wider research project suggests a number of follow-on projects that could help extend knowledge in this area. These include:

- Undertaking a similar survey with both clients and procurers to understand better how they perceive, source and sustain management innovation, especially with respect to management consultancies.
- Generating data on the effect of procurement on consultancy services. Key questions might include, 'to what extent is the formal procurement of consulting services increasing?', 'what impact does procurement have upon consultancy knowledge?' and 'how can procurement be used to maximise the value of consultancy projects?'
- Extending this research to examine global trends in consulting innovation. Recent research has stressed both the importance of consultancies having a global competence, but also that there is considerable variation between countries in their use of consultants. How and why these variations have an impact upon clients and the wider global economy is unknown.

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