

EBOOK

How CEO preferences are disrupting the management consulting industry

The consulting industry is experiencing multiple forms of disruption. As CB Insights noted in its [Killing Strategy](#): The Disruption of Management Consulting report, various forces are shaking up all four functions of management consulting: information, expertise, insight, and execution.

Historically, CEOs hired management consultants to provide *information* by manually collecting data about their business, their competitors, and their industry. Clients didn't know how to collect data on their own, nevermind analyze data or prescribe improvement actions to solve problems; experienced consultants brought critical *expertise* and *insights* to the table. Consultants also designed a plan for *execution*, often supporting execution themselves.

But, as the report explained, self-serve technology and on-demand market research have made internal and external data collection accessible to clients. Some platforms even sift through the data to offer actionable advice. Additionally, the rise of learning networks has made it more affordable than ever for CEOs to chat informally with experts when questions pop up—minus the formal reports and hefty price tags typical to hiring a consulting firm. And the list of disruptions goes on: growth of strategy as a function, freelancer consultant networks, boutique consulting firms, et al.

The Predictive Index® has identified another disruption to the management consulting industry: **a change in the preferences and expectations of CEOs.**

In January 2019, we interviewed 156 CEOs, presidents, and chairpeople to find out [what CEOs really want from consultants](#). In doing so, we uncovered some fascinating trends.

CEO preferences and expectations have changed—and management consultants must adapt.

Our quest to better understand CEO needs proved one of our theories true: **CEOs are looking for more than just traditional management consulting.**

While business strategy has long been the bread and butter of big firms like BCG, McKinsey, and Bain, the number one priority of 30 percent of the executives we surveyed wasn't business strategy but **talent strategy**. It's no wonder as the two are inextricably linked: Companies can create a winning business strategy, but if they don't have the right teams in place to execute, they'll fail to achieve their strategic goals.

The focus on talent strategy makes a lot of sense as **four of the top five CEO business challenges mapped back to talent strategy**: “finding the right talent,” “aligning my employees with our strategy,” “getting the most out of our people,” and “creating a great work environment.”

92% of the CEOs we surveyed needed help with talent strategy, primarily around leadership development, employee performance, pre-hire selection, employee engagement, and succession planning.

We asked our panel of business leaders this question: “If you’re thinking of hiring a general management consultant, would you value their ability to develop a talent strategy in addition to business strategy recommendations?” Eighty-eight percent answered yes.

With CEOs focusing more on talent strategy, consultants who fail to expand their offerings beyond business strategy will be passed over in favor of those who do both.

As we mentioned earlier, the rise in more affordable one-off consulting solutions has resulted in changed CEO preferences. CEOs continue to shift away from expensive, customized consulting projects as they realize they can get equal (or more) value for a lower price. When we asked our CEO panel to tell us why they didn’t hire a consultant, they told us “Consultants are too expensive” (33 percent) and “It’s hard to predict if consultants will be worthwhile” (33 percent).

41% of CEOs would opt for a consultant who would help them adopt a proven process or system. This echoes their worry of investing in a “solution” that may or may not work.

With CEOs hesitant to pay top dollar for customized engagements that may fail to solve their business challenges, management consultants need proven systems that deliver to win contracts.

SaaS is the new retainer for management consultants.

Know this: Retainers as they are now are on the way out. CEOs no longer need to pay for expensive, customized solutions thanks to new self-serve technology and cheaper competition. But retaining clients is key to driving revenue for your consultancy, so what's the new solution? Our research indicates it should be software as a service (SaaS). Here's why:

1. SaaS introduces proven solutions rather than custom solutions that may or may not work.

CEOs may like to gamble on innovative new products and services, but they don't like to gamble when it comes to investing in solutions to their biggest business challenges. CEOs want results—and unless you offer your clients a proven process or system, there's no way to guarantee results. Any customized engagement is an unknown.

[Talent optimization](#) is a discipline CEOs can use to align their business strategy and their people strategy to achieve their desired results.

The discipline is even more powerful when coupled with a [talent optimization platform](#) that collects people data and serves up strategic insights leaders can leverage to hire top talent, develop leaders, boost employee performance, and more. When the methodology and the SaaS combine, CEOs are able to proactively address every possible people problem.

Gain a leg up on the competition by adding The Predictive Index to your consultant toolbox. Be the management consultant who can offer a proven, science-based SaaS solution that's backed by 60+ years of data collection and analysis.

2. SaaS enables people to execute strategic recommendations.

Fifteen percent of the CEOs we surveyed said the number one reason they didn't hire consultants was "Consultant recommendations have a short shelf life." They're referring to the thud factor: the consultant drops a thick, high-priced report onto the CEO's desk, but employees lack the wherewithal to execute the strategic recommendations within the report—and so the report ends up in a drawer.

Projects fail because the people on the ground don't know how to implement and execute consultant recommendations—or they just don't have the time. To actually drive success for your clients you need to improve their people. The best way to do this at scale is through software. Talent optimization software can collect and analyze critical people data, then generate a simple, actionable report with suggestions that are easy and quick to implement. This allows leaders at all levels of the organization to take swift action.

The incorporation of SaaS removes the margin of error that arises when people try to MacGyver solutions, i.e. a little bit of this and a little bit of that. SaaS also increases company-wide adoption of actions that move the needle toward reaching business goals because taking action is as easy as logging into the software and following step-by-step instructions.

If you want to be known as the consultant who delivers more than just recommendations, expand your offerings to include SaaS and watch as your client success rates soar.

Management consultants need to be more efficient.

As the gig economy gains traction and more independent consultants open up shop, margins will shrink—and this necessitates more efficient business models. One way to maximize your efficiency as a management consultant (while also maximizing your profit margin) is to add a high-margin subscription offering to your product suite. When you deliver solutions that work and give your clients tools to proactively manage all aspects of their talent strategy, you form longer-lasting relationships. And with guaranteed income in your pocket each month, you're free from the stress of continuously hunting for your next meal. It's the ultimate win-win.

CEO preferences are changing. Execs want help with talent strategy and they want to invest in proven solutions and systems. The good news is you don't have to invent the new discipline, and you don't have to build the software. To keep the competitive edge you seek, turn to talent optimization. It's strategic, it's scientific, it's backed by data, and it works. [Speak with a partnership exec today](#) to learn more about PI and talent optimization.