Partners in the Future:

Part 1: The Commercial Model

sh gillamor stephens
CONSULTING, TECHNOLOGY & SERVICES

SOURCE GLOBAL RESEARCH

sheffield haworth

Contents

Executive summary

There has never been a more exciting—or challenging—time to be a leader in the consulting industry. The nature of project delivery is going through a period of fundamental change; the boundaries between consulting, technology, and other categories of professional services are breaking down, to the point where some have even questioned whether the term "consulting" is still a relevant one.

At the same time, firms are finding themselves having to grapple with increasingly complex client challenges and clients, themselves, are becoming increasingly sophisticated buyers of consulting services. Many of these challenges can only be solved through close collaboration—both between different service lines and capability teams within a firm, and between firms and their ecosystems of technology partners.

But none of this will be possible without a new approach to leadership.This is the first of a two-part report series that explores how consulting firms are rethinking what it means to be a partner—and how those partners can best be empowered to provide meaningful leadership at a time of profound change.

This first report looks at the role that partners play within their firm's wider business, and the changes taking place in how firms leverage their partnership to produce commercial success. The second report—"The Leaders of Tomorrow", published soon— will explore the evolution of the partnership itself, and the ways in which today's partners look, act, and think differently from their predecessors.

No firm will be able to thrive going forward without a commercial model that takes full advantage of the skills and the knowledge its partners bring to the table:

- Partners are finding their already precious time under increasing pressure. As well as balancing their project delivery commitments against hitting sales and recruitment targets, they are now also expected to play an active role in making sure that their firm has access to an expansive pool of intellectual property and strong ecosystem alliances.

- As a response to this, many firms have tried to create space within their organisations for partners to specialise in different aspects of business development, as well as those who wholly dedicate themselves to on-the-ground delivery.

- The days of a "one size fits all" career path are rapidly coming to an end; firms are adapting to the needs of a workforce that expects flexibility in both the work they do and how they do it.

- As career paths have evolved, firms have had to explore new ways of monitoring and rewarding success. Financial metrics such as sales and utilisation are still important, but only as part of a more holistic way of evaluating a partner's contribution to the firm.

- As clients put pressure on consulting firms to provide greater volumes of specialist resources, those firms have had to shave the lower tiers of their resource pyramid and change their attitude towards working with freelancers and contractors. Consequently, partners have to shoulder even more of the responsibility for the success of client engagements.

"We need to move away from a world where one partner sells a piece of work and then uses his or her staff to deliver it."

Section 1: How partners spend their time

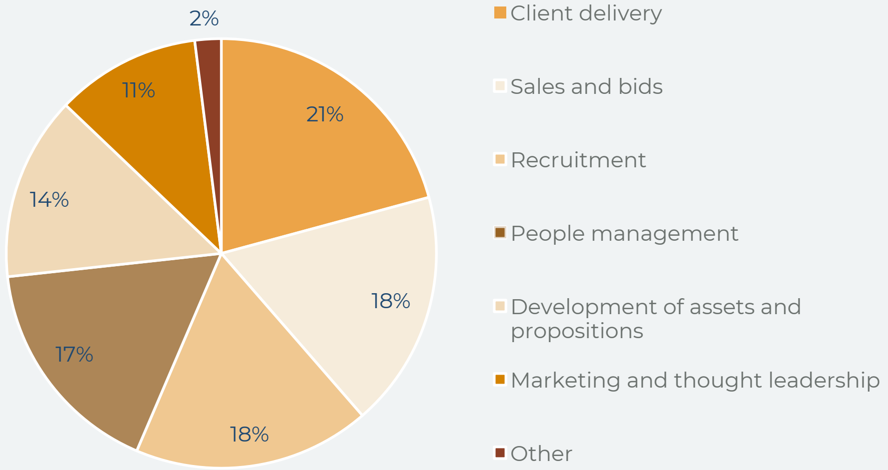
We need to move away from a world where one partner sells a piece of work and then uses his or her staff to deliver it. Partly, that's because most organisations have evolved their approach to transformation: We used to talk about front, middle, and back-office transformation, but now clients want us to approach this in a much more functionally connected way, and cloud allows us to do this rapidly and at scale. You might still need a specialist with deep knowledge of the future of finance—for example—on your programme team, but they'll be working alongside other subject matter experts in a multicapability, enterprise wide approach.
Lorraine Mackin, KPMG

When working with regulatory partners, clients want to see really strong subject matter expertise. But with consulting partners, it's more of a leverage model: Yes, the client wants to get your direct input a few times per month, but what's more important is your ability to put together a high-quality team and get the most out of that team. People that can't get out of that 'hands on' mode are the ones that are more likely to spend their careers as delivery partners; the people who become leaders within their firms are the ones that really learn how to step back and delegate.
Hugo Walkinshaw, AntWorks

One of the unique challenges of the professional services industry is that leaders typically do not have the luxury of stepping away from day-to-day operations in the way that their peers in other industries might. But the vast majority of partners are nevertheless expected to make substantive contributions not only to the growth and development of the firm, but also to the delivery of individual projects.

In recent years, some firms have attempted to draw a more explicit distinction between delivery specialists and business builders. But even so, it is rare to find partners who lack any delivery commitments. Consulting firms are set up in such a way that partners must wear many hats—splitting their time between project delivery, business development, and a variety of other business critical tasks.

Figure 1.1 A breakdown of the average partner's time commitments



As Fig. 1.1 shows, delivery does make up the largest individual time sink for the average partner—but even so, it represents scarcely more than a fifth of their total workload. And if anything, this fragmentation has become even more acute in recent years due to the "productisation" of many consulting services. Proprietary software and data assets are becoming ever more important to project delivery—and, as a result, partners now spend 14% of their time contributing to the development and maintenance of these assets.

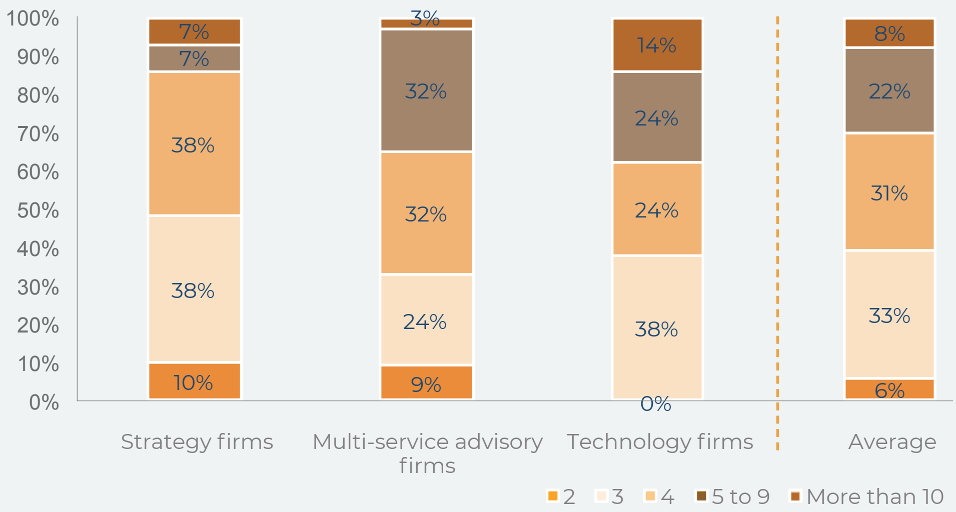
Given that this trend shows no signs of abating any time soon, it may not be long before this particular responsibility eclipses more well-established partner duties such as recruitment and sales. If it doesn't, it will likely be due to the emergence of a new class of partner whose time is wholly dedicated to the management of a firm's intellectual property. Indeed, some firms have already tentatively started moving in this direction.

The old days of 'Everyone has to sell and everyone has to deliver' are long gone...

As partnerships have grown, they've also become more segmented. The old days of 'Everyone has to sell and everyone has to deliver' are long gone. Now, you have some people who focus more on sales, and others who spend more time on delivery—and you have some partners who focus on building hyper-specialist expertise. There's a lot more opportunities these days for partners who want to fully dedicate themselves to overseeing huge programmes.
Paul Clark, EY

I think we need to be a lot more intentional about creating different experiences for partners. Historically it's more by accident; based on knowing the right people, being at the right place when the work is available. We want to be more deliberate in creating different experiences and defined career tracks; maybe certain partners want to focus more on specific sectors or markets, or maybe they want to do more thought leadership work. I think that we as a partnership can't take the work that partners do for granted; we need to do a much better job of knowing their aspirations, and creating experiences that are aligned with these aspirations.
Bin Wolfe, EY

Figure 1.2 How many projects partners typically work on at any one time

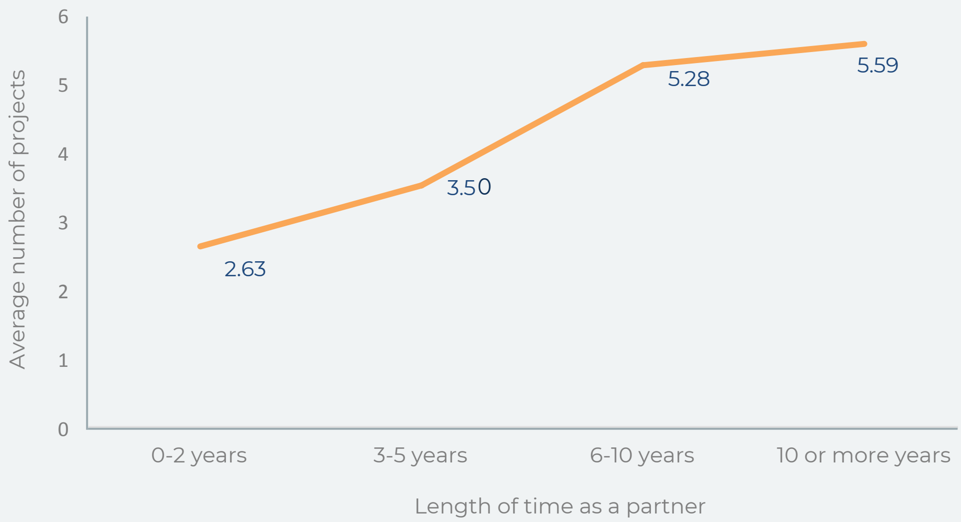


Almost invariably, the 21% of a partner's time spent on delivery will be further sub-divided between multiple projects: Either different projects within a single programme, or wholly separate engagements across multiple client accounts. In our study of 100 partners, we were unable to find a single one who said that an average workload meant dedicating their time to a single project—and a full 30% said that they typically work on five or more simultaneously.

Generally, strategy partners are the most conservative when it comes to dividing up their time between clients, while partners at technology firms are the most willing to spread themselves thin. This speaks to the inherent differences between strategy and technology work.

When clients invest in strategy work, they are doing so because they trust in the knowledge and the expertise of the partners they are buying from—and they expect those partners to regularly join project meetings to share pearls of their wisdom. By contrast, technology consulting is generally less reliant on direct partner input; a greater percentage of the work is carried out by junior resources, with partners adopting a more managerial role.

Figure 1.3 How the number of projects supported varies with time spent as a partner



More experienced partners typically work on more simultaneous projects than their junior colleagues (Fig. 1.3). A common career trajectory sees a new partner taking responsibility for the delivery of two or three big pieces of work—and then once they've established their delivery credentials and started to build a name for themselves within and outside the firm, they transition to a more hands-off working style, dropping in only when necessary to provide input on five or six different engagements.

Client-side stakeholders might not be thrilled to know just how small a fraction of the average partner's time they're getting. Speak to clients, and one of the most frequent complaints about consulting firms you'll hear is that they perform a bait and switch operation: They'll send their leading luminaries into a pitch meeting, but the actual project work then gets handed over to junior consultants straight out of grad school.

Increasingly, we hear stories of clients taking a firmer line and demanding greater hands-on commitment from the partners they are buying from. One of the biggest questions for firms, going forward, will be how they choose to respond to that challenge without sacrificing project margins. And that's easier said than done, particularly if—as is often the case—those same clients are unwilling to budge on cost.

...partners have had to adapt to a world where they're selling multifaceted projects...

If you ask most strategy partners, I suspect they'd tell you that the core strategy element of their work is shrinking. Clients have needs today that are a lot more complex than in the past, and so partners have had to adapt to a world where they're selling multifaceted projects that might include a strategy element, but only as part of a much larger whole.
Lisa Dauber, Oliver Wyman

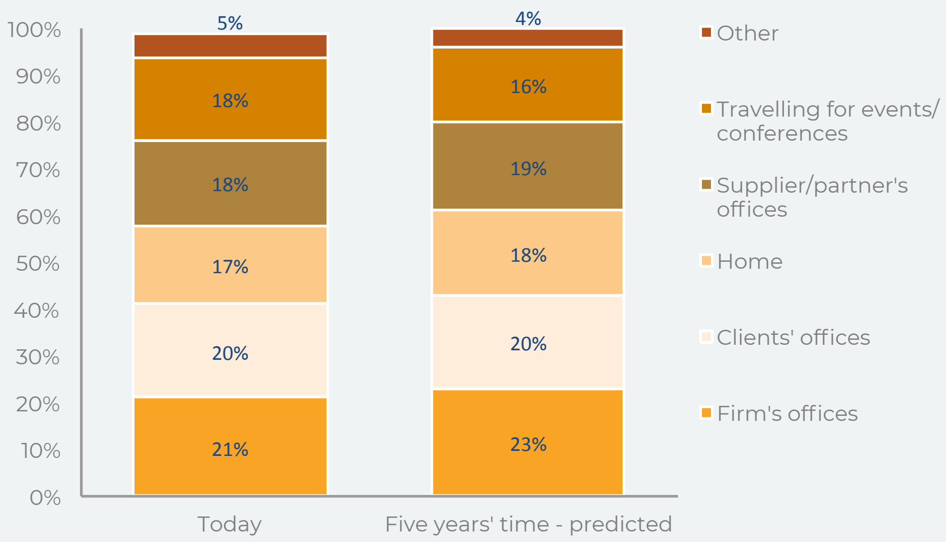
Twenty years ago, consulting was an industry dominated by a single overriding thesis: That the best way to help clients solve their business challenges was to hire the smartest people out of business

...you can't sidestep complexity anymore, you have to tackle it head-on.

school, teach them the art of problem solving, and deploy them onto projects. The point of consultants was to take highly complex business problems and dissolve them into specific, measurable questions—and then answer them. That approach simply doesn't work today. Clients are more sophisticated, and the amount of data available is so much greater; you can't sidestep complexity anymore, you have to tackle it head-on. You can't rely on sampling and straightforward modelling techniques these days, you have to go out and grapple with the situation in its entirety.
Vikram Chakravarty, EY

Very roughly estimated, our partners spend about three days of the average week on client site, delivering projects and helping grow the accounts. Another one day per week is spent on new business development, and the final day is spent on people development and practice management. I expect that our partners spend more time on client site than most firms' partners; at Baringa, we feel that proximity to clients and rolling up our sleeves and delivering with our teams is critical.
Adrian Bettridge, Baringa Partners

Figure 1.4 Where partners work from



Unsurprisingly, the diversity of partners' workloads often results in a fairly gruelling travel schedule, with partners having to split themselves between a number of different locations (Fig. 1.4). One bright spot though is that the culture of performative overwork that has at times plagued the industry seems to have fallen out of fashion; partners nowadays have no qualms working from home when it makes sense for them to do so, and spend in aggregate 17% of their time doing so. And although there's no evidence yet of it doing so substantially, that may further increase over the next few years as firms look to take better advantage of distributed team management tools.

Also of note is the 18% of time partners spent working from the offices of their firm's suppliers and alliance partners. One of the big industry stories in recent years has been the embrace of the "ecosystem mindset". No one firm can do everything; most have realised that the best way to solve the increasingly complex and multifaceted questions clients are asking them is to build robust partnerships with technology providers and specialist boutiques. Consequently, partners have had to shoulder responsibility for creating and developing those relationships—and for converting them into value for clients.

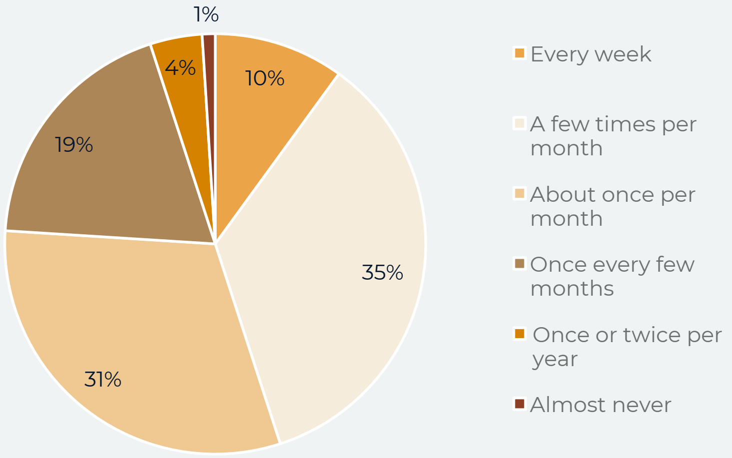
There's a brand perception problem firms have to get over. Do clients really believe that a Big Four firm say, is going to be the best digital partner? They might trust them and like them—but they trust them because they know they're good at audit and tax and supply chain. That doesn't necessarily give them brand permission to do analytics and cloud technology, even if you acquire a bunch of specialist providers. If I were a client, I'd want strategy people from the Big Four to come to me and say 'Look, we understand your business and the challenges you're facing. We're going to put together an ecosystem of players that can help solve them; our focus is going to be on creating a commercial partnership of companies that can come together and create value for you, with us at the steering wheel.'
Hugo Walkinshaw, AntWorks

Technology—and AI and RPA in particular—is definitely going to change the way that consultants work in the future.

Technology—and AI and RPA in particular—is definitely going to change the way that consultants work in the future. But it very much depends on what it is that you do, specifically. Certainly when it comes to public records research and internet research, technology will be critical; it will never replace a human being, but it will create more efficiencies. For example, there are technologies that can aggregate different websites and different sources of information, so that analysts can spend less time finding data and more time reviewing it. And artificial intelligence can then be used to identify the most relevant bits of information, so that analysts can prioritise it.
Wendy Conway Schmidt, Deloitte

Firms at our size and scale have had to look at creating robust supplier and partner ecosystems, in order to ensure we have access to the technology and the proprietary data sets that underpin more and more of our services. That means that leaders need to have the ability to network effectively, and they need to know how to coordinate different ecosystem players to produce value for our customers.
Charles Vivian, North Highland

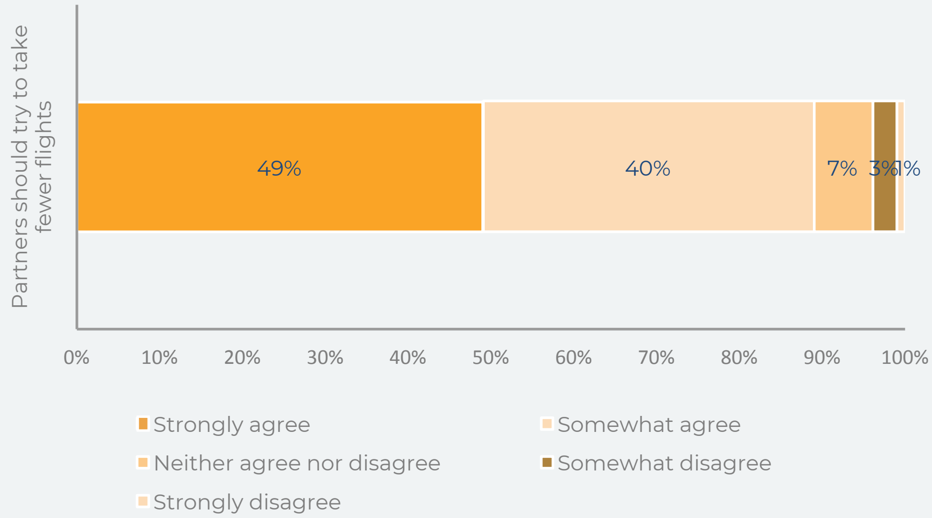
Figure 1.5 How frequently partners fly for work



One stereotype that still seems firmly rooted in reality is that of the jet-setting consultant: as Fig. 1.5 shows, 76% of partners report that they have to fly for work once a month or more, and 10% do so every working week.

Which is not to say partners enjoy all that air travel. As demonstrated by Fig. 1.6, 89% of them agree that firms should try to cut down the amount of flights their partners have to take. While some are undoubtedly motivated by environmental concerns, for many it is a simple question of work-life balance—a topic we will explore in more detail in part 2 of this report series.

Figure 1.6 Partners' views on the need to take fewer flights



However, we are sceptical that many firms will actually be able to do this—no matter how good their teleconferencing software gets. At the end of the day, firms have to respond to the working preferences of their clients. And a recent Source Global Research study on this topic found that 96% of buyers in the industry felt it was important that their consultants spend a substantial amount of time on-site. While the reasons for that varied, the most common ones cited were:

- It fosters a better working relationship between client and consultant
- It allows for better flow of information and ideas
- It makes it easier for clients to monitor the work being done

If partners really do want to cut back on the air miles, we recommend they position it in a way that makes clear the potential benefits to clients. The cost savings are an obvious one—but it could also be an opportunity to pivot towards a more globalised mode of project delivery. "Yes, you won't see me at your offices as much", you could say, "but in return, we'll make it easier for you to get on the phone to our subject matter experts on the other side of the world any time you need."

...leaders are going to have to think creatively about how they can build a sustainable culture in a world where people are spending less time at one location.

A much greater percentage of work can now be delivered remotely. That has benefits both for individual consultants and their firms, who no longer need to maintain as much real estate as they once did. However, it does make it harder to create a sense of unity across a firm; leaders are going to have to think creatively about how they can build a sustainable culture in a world where people are spending less time at one location.
Wendy Conway Schmidt, Deloitte

Over the last few years, the amount of travel partners have to do has steadily increased—not just to visit clients, but also to go to conferences, speak at trade shows and visit technology partners. However, that might start to stabilise as the industry becomes better at video conferencing and more work can be done remotely. Partners still need to get quality time with clients and build relationships that way, but the days of walking corridors and stationing huge teams at the client's offices are probably coming to a close.
Paul Clark, EY

We've always been advocates for work-life balance in the consulting industry—and we welcome the transition the industry is currently going through in this regard. Some people do need active support and encouragement to achieve it; sometimes we have to give a nudge to get people to be more selfish about putting their own lives and wellbeing at the top of the list. People need to recognise that clients will always be there, asking for things—and we'll always have endless tasks to fulfil; so if you don't feel empowered to put yourself and your family first, you'll inevitably burn out. To help nudge our people to do that, we have a dedicated people fund—that can only be spent on non-work related activity; basically, we provide financial support for people to achieve their own personal goals or hobbies.
Adrian Bettridge, Baringa Partners

There's a perception that consulting is an industry where you have to travel a lot—and that turns off a lot of people from applying, particularly women. But at EY—and in my group in particular—we're working hard to tackle that perception challenge. If you want to travel a lot, you can; but if you can't or don't want to, then we can limit the amount you have to do. And we have a lot of flexible options in place for pre and post-natal working as well.
Vikram Chakravarty, EY

What does this mean for your firm?

- **Consider how you can minimise "workload bloat" for partners, potentially through:**
  - **Using technology to reduce time spent on admin tasks**
  - **Creating distinct classes of partners, allowing different people to specialise in project delivery, sales, and IP development**
- **Find ways to address client concerns around scale of partner involvement on projects—as a minimum, demonstrating that you've thought seriously about how to use partner hours smartly**
- **Work to minimise air travel by partners, but do so by highlighting the potential benefits (financial and otherwise) for clients**
- **Continue to promote working from home as a viable option for partners**

“Clients will still seek expertise and insight, but the way that those things get delivered may look very different to them.”

Section 2: The changing resource pyramid

The service delivery model has been evolving, as providers incorporate AI and new technologies into their offerings. There's a big technology component in what we do, in addition to optimising where work gets done, with the right balance of off-shore and on-shore work; I think that in the near future, a lot of our work is going to be done in a very different way to how it is now. Clients will still seek expertise and insight, but the way that those things get delivered may look very different to them. And firms like ours have an important role to play in helping clients see the curves that are coming, and getting them to think differently about how their own business models need to evolve as well. Partners need to be talking to clients about these sorts of things.
Bin Wolfe, EY

In the past, firms operated on a bit of a 'one size fits all' model. But the firm of the future will be more of an ecosystem—a series of niches, all operating on their own rules, their own payscales, their own environments. If you try to enforce conformity, you end up not developing expertise in anything.
Hugo Walkinshaw, AntWorks

Anyone who's been in a leadership role for long enough knows that you're only as good as your team; you alone will build nothing.
Lisa Dauber, Oliver Wyman

Ultimately, a leader is only as good as the team they lead. And with today's partners so thinly spread between different responsibilities, it is more critical than ever that they're supported by highly skilled resources at the lower rungs of the organisation.

The traditional resource pyramid—in which a small number of partner-level individuals is supported by a broad base of more junior consultants—has proved remarkably robust. Structurally, today's firms do not look that different from those of 30 years ago. Recently, however, a confluence of factors has caused many firms to re-evaluate their resource ratios. In particular:

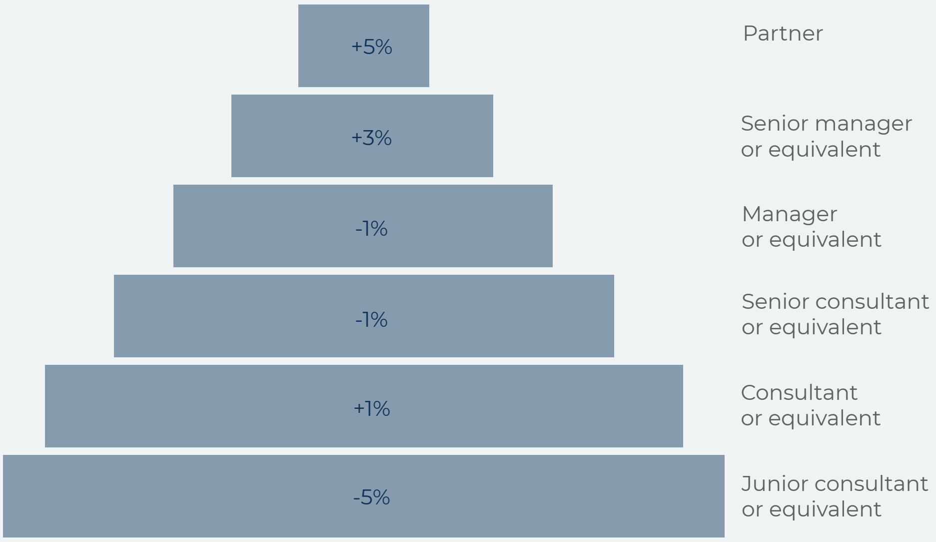
- Clients are becoming more resistant to the idea of paying consulting rates for relatively unskilled resources—particularly when new recruiting platforms have made it easier than ever for them to find independent contractors for routine project roles

- With technology now playing an increasingly important role in the delivery of many projects, it is often possible to "do more with less", delivering similar project outcomes without using large numbers of junior consultants

- As the war for talent heats up, firms have found it more difficult to find qualified applicants for their graduate schemes. They now often find themselves competing for talent against tech companies that can offer similar—if not higher—salaries and better perks

The net effect of this is that firms are starting to feel the bottom of their resource structures contracting. However, change will not come quickly. We asked partners in our study to project growth at each layer of their firm's resource pyramid, and extrapolated from this to produce relative rates of change (Fig. 2.1). And this data would suggest that in 2025, junior consultants will make up 5% less of the average firm's workforce—whereas partnerships will be 5% larger.

Figure 2.1 Predicted change at each layer of the resource pyramid over the next five years



Figures show change as a percentage of a firms' total resource pool

The pyramid structure that worked so well for so long has certainly not served us well over the last four or five years.

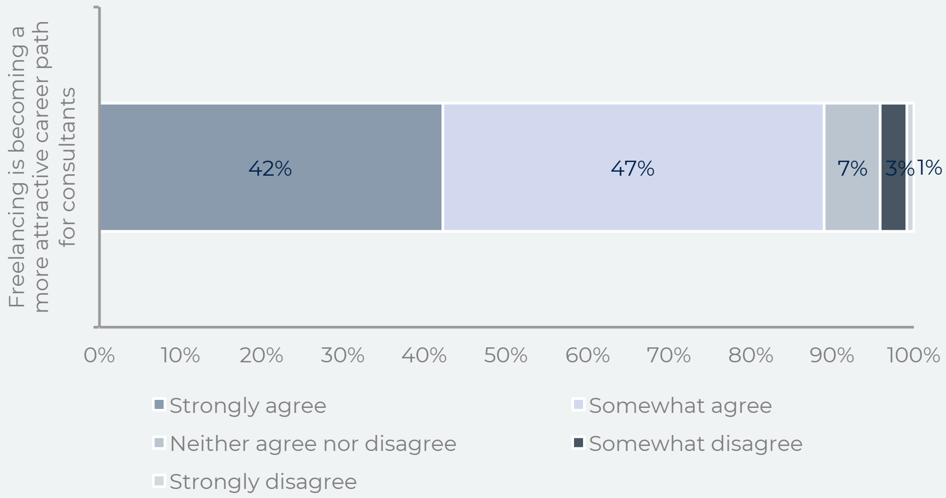
As an industry, our clients' perception of the value we bring is falling, as is price per hour. But our cost base is going up. I call that the scissors of death! The pyramid structure that worked so well for so long has certainly not served us well over the last four or five years. And I think the shift away from that model will only accelerate. We think that the industry is moving in a direction where projects are becoming more complex, and firms have to be able to connect different groups of capabilities from across the business. As a result, we're moving towards an organisational structure where we have better connectivity between our capabilities, and much more flexibility and agility in terms of how we deploy our resources.
Lorraine Mackin, KPMG

We're still working through the implications that the new way of doing consulting will have on the leverage model. One major change we've gone through is that we're now incorporating many more SMEs—what we call 'senior advisers'—into our consulting model. At EY, we have a treasure trove of these specialists, sitting adjacent to the traditional consulting pyramid; some of them are full-time employees, others only do a few days a month for us. The other big change is that we're now a lot more willing than we used to be to look outside the firm to solve a problem, and to create partnerships with outside organisations.
Vikram Chakravarty, EY

Clients always want the least-expensive qualified resources to work on their project—so it's important that consultancies smartly utilise their more junior consultants as a way of managing project costs.
Wendy Conway Schmidt, Deloitte

One additional complication is that certain layers of the resource pyramid may stay the same size—but may migrate away from in-house roles. There is now a healthy and growing community of freelance consultants in most major markets; partly because new talent-on-demand platforms such as COMATCH in Europe or Catalant in the US have made it easier for freelancers to find work and for clients to find them. Even despite regulatory setbacks in some regions (IR35 in the UK; new rules on independent contractors in California), there is widespread agreement in the industry that freelancing is a more attractive career path than ever before (Fig. 2.2).

Figure 2.2 Partners' views on the attractiveness of freelancing



There are two elements involved in being able to provide clients the full gamut of relevant capabilities. The first is to ensure that different people with different skills exist, in a linear sense, throughout your organisation—which we do through, for example, our digital specialists and our team of Oliver Wyman engineers. And the second element is upskilling your core consulting workforce, and making sure you're hiring consultants who are willing to engage with new ideas and develop broad skillsets. Ten years ago almost none of our consultants could code in Python—but now probably half of them can, maybe more.
Lisa Dauber, Oliver Wyman

When we talk about the resource pyramid changing, it's not a simple case of moving all junior resources offshore and keeping senior resources onshore. The reality is that you're going to have senior people distributed across different geographies—we have plenty of senior architects who are based in offshore centres but operate across regions. Ultimately, the key is to think holistically about the resources available to your firm, and how you bring those resources together for the purpose of project delivery.
Jonathan Wright, IBM Services

Clients are looking to us for advice and leadership on complex and challenging industry issues, not generic resource augmentation.

We've never had a pyramid structure in our organisation; it's always been more like a diamond shape, with a highly populated Manager and Senior Manager layer of experienced, content rich consultants. Clients are looking to us for advice and leadership on complex and challenging industry issues, not generic resource augmentation, so I don't see our structure changing in the future.
Adrian Bettridge, Baringa Partners

So, it's not surprising that firms would seek to take advantage of this new talent pool. It's not unusual now for partners to sell work with the expectation that some, or even most, of the project roles will be filled by independent contractors drawn from their network of associates. Some firms—Eden McCallum, for example—have built their entire operating model around this concept, but even those that operate in a more traditional way are now finding themselves bringing in freelancers. And there are a number of benefits to doing so:

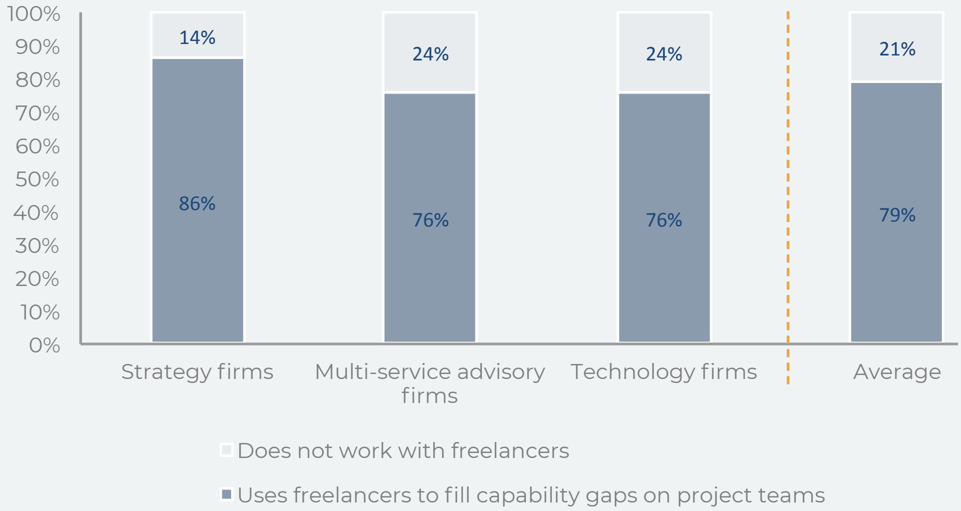
- Your overheads are much lower if you don't have to support a bench of inactive consultants—and these cost-savings can be passed on to the customer, allowing your firm to underbid the competition

- Using freelancers allows your firm to deploy hyper-specialists onto projects that it wouldn't be economical to keep in-house

- Since so many talented consultants are now choosing to work for themselves, not working with freelancers artificially handicaps your ability to access a key part of the talent pool

As Fig. 2.3 shows, 79% of firms now use freelance resources at least on an occasional basis. And strategy firms are more likely than any other type of firm to do so—a reflection of how streamlined their internal organisations typically are. There was talk a few years ago that strategy firms might have to start recruiting more data specialists and developers if they wanted to maintain market share in a world where client definitions of "strategy work" were becoming increasingly broad. But it seems many have decided that tapping into freelance talent pools is just as effective a solution to that particular challenge.

Figure 2.3 The percentage of firms using freelancers on their projects



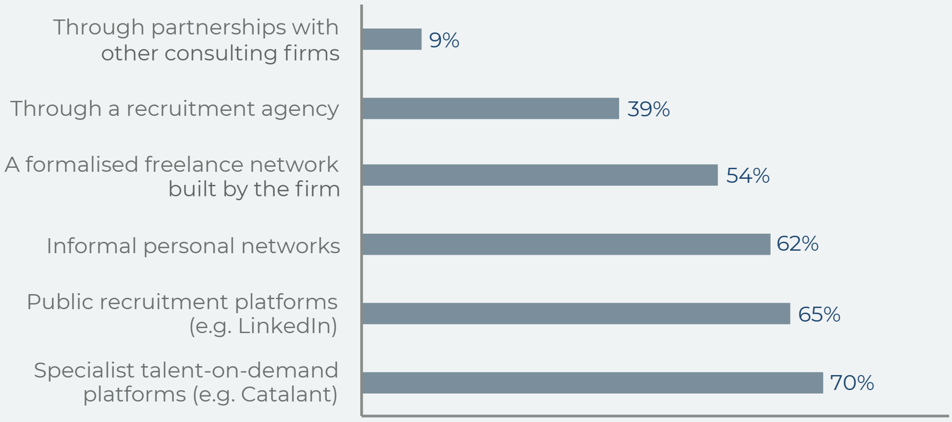
...we'll staff a project with freelancers and then augment their skills with deep specialist knowledge from our in-house experts.

The new generation of consultants strongly values work-life balance, and many of them see flexibility as a key career driver; some people want to do freelance for six months of the year and then travel for the other half. One effect of that is that we are now increasingly using freelance consultants to meet the demands of projects. The model will develop where we'll staff a project with freelancers and then augment their skills with deep specialist knowledge from our in-house experts.
Lorraine Mackin, KPMG

Over the last two years, I've seen the firm become gradually more willing to work with freelancers, at least on the digital and tech side. But that's all at the individual project level, and normally only happens when we need specific hard-to-find skillsets; we haven't made any wide-scale, carte balance shift towards an associate model. That's because the impact that we create comes from having a dedicated, committed team serving the client—and you can't replicate that with one project manager and a bunch of freelancers. Where we do work with freelancers, it tends to be very relationship-driven within a market.
Lisa Dauber, Oliver Wyman

Not all firms go about accessing these freelance talent pools in the same way. Some, like Deloitte with its Open Talent Initiative, have attempted to build their own formalised networks of independent professionals. But while this may be an approach that Big Four firms can take—because they not only have the resources to invest in finding, vetting, and managing freelance talent, but can also draw on large alumni networks to get a head start—it is not a realistic option for many smaller firms.

Figure 2.4 How firms find freelancers to work with



So instead, these firms turn to online platforms—either general-use recruitment sites like LinkedIn or its regional equivalents, or consulting-specific talent-on-demand platforms (Fig. 2.4). This level of adoption is especially impressive considering how relatively new many of these platforms are: Catalant, one of the largest such platforms in the US, only launched in its current iteration in 2016. It could well be that these platforms end up radically reshaping the talent dynamics of the industry, particularly if they continue to become functionally more sophisticated.

The traditional delivery period is going to have to change. Partly that's because offshore and nearshore delivery centres are becoming more important to how firms deliver work; partly it's because a lot of work nowadays is delivered through platform solutions or ecosystems. We will still continue to recruit junior people, but the balance is going to change.
Jonathan Wright, IBM Services

What does this mean for your firm?

- **Make the development of your firm's ecosystem an explicit part of the role of your partners, and reward those who demonstrate the ability to create lasting, impactful alliances with third parties**
- **If you're not already doing so, develop a formalised approach for tapping into freelance talent pools—either through building your own associate network or partnering with specialist platforms and/or recruitment agencies**
- **Prepare for a world in which junior consultants will make up a smaller part of the typical resource mix for a project; where possible, invest in technology that can reduce the need for manual data analysis/ PMO tasks performed by those resources**

> *I have no doubt that career paths in the consulting industry are going through a period of change.*

Section 3:

The path to partner

I have no doubt that career paths in the consulting industry are going through a period of change. A lot of younger people in the industry don't aspire to be partners any more; they see the partnership as a great source of knowledge and a tool that can help them learn and grow, but they'd rather go freelance or go into tech than become partners themselves.
Paul Clark, EY

The time to partner hasn't changed much—but the skills required to get there have.
Christian Edelmann, Oliver Wyman

At Baringa, we provide our partners with 360 feedback and regular feedback loops from their project teams, advisees and peers, to make sure that they can reduce any blind spots and embody the distinct type of people leadership that we have committed to as part of our strategy. Generally, the more self-aware the partner is, the easier it is to nudge and coach them into effective leaders, who understand how to collaborate effectively with people at every level of the organisation.
Adrian Bettridge, Baringa Partners

Just as consulting organisations change, so too must the way people navigate those organisations.The people entering the workforce today have vastly different career expectations than their predecessors; rare is the new consultant who plans to spend the whole of their career at the firm where they land a grad scheme placement.

With a few notable exceptions, the "up or out" model that famously characterised progression within the major strategy houses seems to be on its way out. Today's consultant does not start out on their career path planning to sacrifice their health, social life and sanity at the altar of making partner. She knows that if she finds herself stalling at a particular grade, there is little professional cost to jumping ship—either to another firm or to an industry-role. For many, the much vaunted "portfolio career" has become the new reality.

Figure 3.1 Destinations of consultants who leave firms before becoming a partner

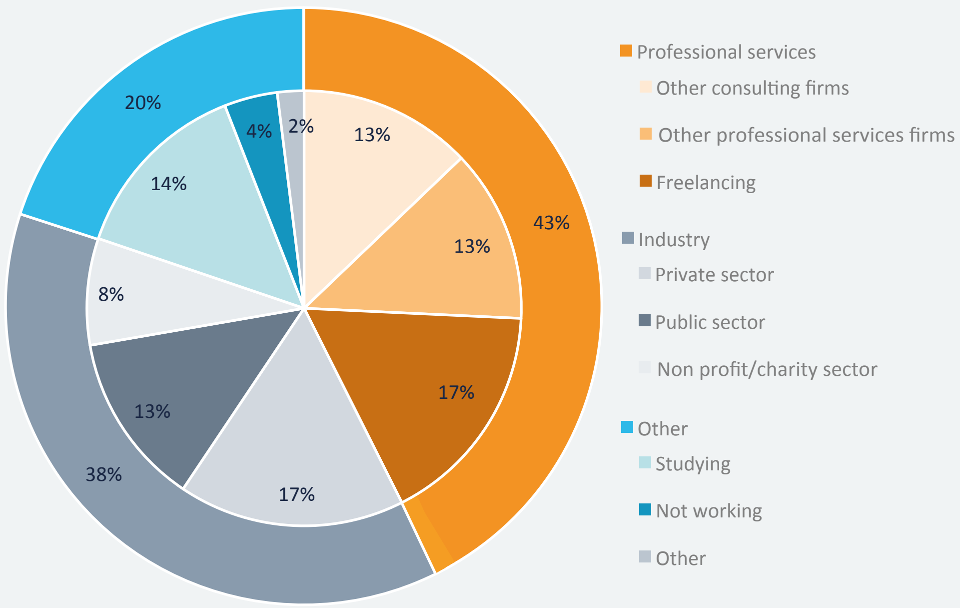


Fig. 3.1 shows a roughly even split between leavers who go on to industry roles and those who remain in professional services. Of note, freelance consulting is now the single biggest exit destination—tied with private-sector industry roles. Further evidence, if it were needed, that it will soon become untenable for firms to lack any channels of interaction with the freelancing community.

We're looking at the whole career model in our business at the moment. We understand that the career pathways to the partnership has to change and evolve; we're looking at a more holistic career model that has multiple different destination points, and that people can move more freely across different service lines and through different types of work.
Bin Wolfe, EY

You need a certain degree of inter-generational equity if you're going to make smart decisions about the future of your firm.

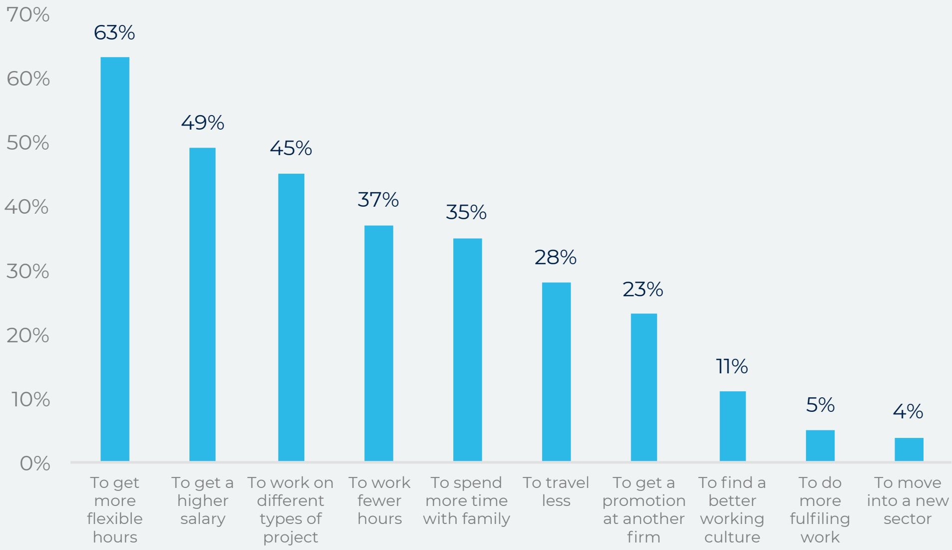
I think most consulting firms would benefit from having a more diverse range of ages represented among their partnership. Typically, people get to their most senior position in their early 50s—and senior leadership positions in most firms are dominated by people sitting in a fairly narrow age band. But that leads to a natural bias against preparing for the future; older partners aren't going to support making long-term investments where they'll see the profit dilution but not the pay-off. You need a certain degree of intergenerational equity if you're going to make smart decisions about the future of your firm.
Anonymous

Undoubtedly, the ability to choose your own projects and work to your own schedule is one reason that freelancing is such a popular career move. And as Fig. 3.2 shows, partners believe that greater working flexibility is the single biggest factor that leads to people jumping off the partner track.

Retention of top talent is a perennial problem for consulting firms, and one that isn't made any easier by the incredibly tight talent market we currently find ourselves in. But this data suggests a few actions that firms could take if they were serious about keeping hold of their best people:

- Adopt flexible working hours, at least for work that can be delivered without being at a client's location—and, importantly, keep track of which managers actually encourage their team members to make use of flexible hours and which stigmatise them for doing so
- Encourage people at all levels of the organisation to reduce their travel, and ensure that consultants don't feel like their career progression will be limited if they're not constantly working from the same location as their project manager
- Provide junior and mid-level consultants with greater control over the projects that they work on, so that they can do work they personally find fulfilling and meaningful. And if it isn't feasible to do this across the organisation, then firms should prioritise their top talent; more control over resourcing could be a perk awarded to high-performing consultants

Figure 3.2 Factors cited by partners as the most common reasons that people voluntarily leave their firm before joining the partnership



We've always been a business that encourages a fail-fast mindset.

We've always been a business that encourages a fail-fast mindset. Our attitude has been: Make mistakes, but don't make the same mistake twice. We want our people to be prepared to take calculated risks, without being too timid or afraid of the consequences. If they come up short, you pick them up, say 'What have we learned?', and try to do better the next time around.
Charles Vivian, North Highland

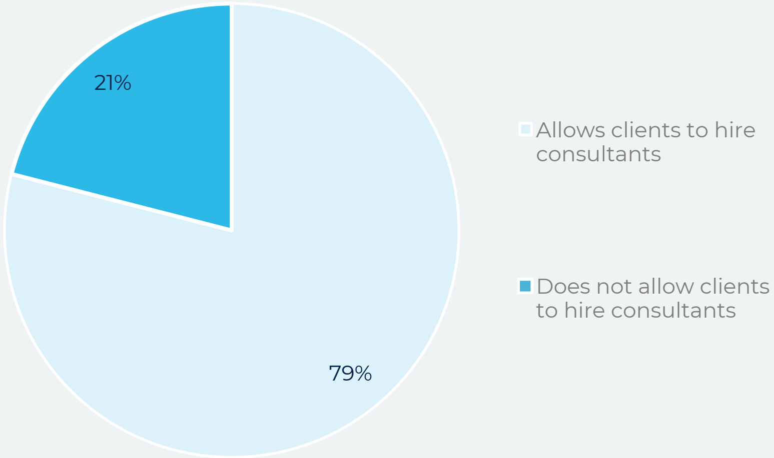
Generally, people leave Baringa due to one of three things: a complete change of life circumstances, normally as a result of family circumstances or moving country; joining a client for stability and change of working pattern i.e. fixed work location; or a complete change of career e.g. to become a gardener, a school teacher, or join a charity they are passionate about. Very few become independent contractors, and even fewer join our competitors.
Adrian Bettridge, Baringa Partners

There are a lot of reasons that people leave the consulting industry—the travel involved, the intensity of the work, and the hours you have to work being chief among them. These things affect men and women, but they can often be particularly hard for female consultants.
Wendy Conway Schmidt, Deloitte

One ongoing debate in the industry is around the poaching of consultants by clients whose projects they have worked on. Some firms take a firm stance against the practice—whereas others feel that it can be a useful way of building long-term connections between themselves and key accounts, leading to a higher chance of winning work in the future.

On the face of it, the latter group seem to be winning this particular argument; Fig. 3.3 shows that only 21% of partners say their firms have contractual prohibitions in place to prevent clients hiring consultants. Even where such prohibitions do exist, they often go unenforced. And it is not at all unusual these days for someone to move into a client role for a few years before eventually making their way back to their original firm, using the stint in industry as an opportunity to cement their reputation as an expert in their particular field.

Figure 3.3 The percentage of firms that allow their clients to hire consultants



Historically, people have progressed through firms like ours based on their performance against clear metrics. If you delivered well and hit your sales targets, you'd get promoted. But these days, metrics like those can only tell you part of the story. What we really need at IBM is people who can bring one IBM to our clients; who can solution architect, and manage complex journeys for them; who really understand how to navigate our business. Just hitting the numbers isn't good enough anymore.
Jonathan Wright, IBM Services

The days when you could expect someone to join a firm as a graduate and stay there until they became a partner are long gone. People want more flexibility in their careers these days. We actually have a lot of what we call 'boomerangs', or people who join the firm and then leave to develop their skills somewhere else but eventually come back to us. That's great.
Lorraine Mackin, KPMG

Our overall retention is similar to what it's always been, but the destinations of leavers have changed somewhat.

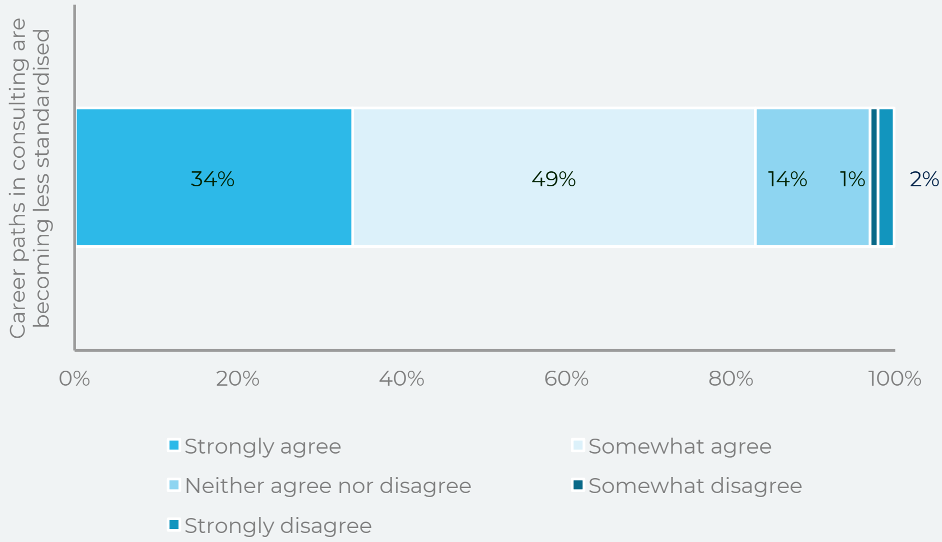
Our overall retention is similar to what it's always been, but the destinations of leavers have changed somewhat. In particular, many more people now go to fintechs.
Christian Edelmann, Oliver Wyman

Now that we're hiring from a more diverse pool of applicants, we need a new way of evaluating consultants in our organisation. The expectations that might be fair if you're looking at a top MBA student might not be fair if you're considering someone who's more of a data scientist or someone who's come to the firm from on an industry role. Some firms have tried to solve that problem by creating dedicated specialist tracks within their organisation, but I'm not sure that works; I think it too often ends up as a form of second-class citizenship.
Vikram Chakravarty, EY

Even those consultants who do stay at one firm are finding that their career paths are no longer straightforward. This is largely the result of firms themselves becoming increasingly complex. Even many small and mid-sized firms now augment their core consulting capabilities with designers, data specialists, and technical experts—creating opportunities for employees to move between these different service lines as they develop new skills and figure out where their strengths lie.

Additionally, the investment that many firms have made in their technology-base has also created new roles within their organisation, both at the partner level and below. And a number of larger firms now bring in a substantial chunk of their revenue through the provision of managed services—the delivery of which necessitates further new roles that simply did not exist in the sector just a few years ago.

Figure 3.4 Partners' views on the increasing diversity of career paths within consulting

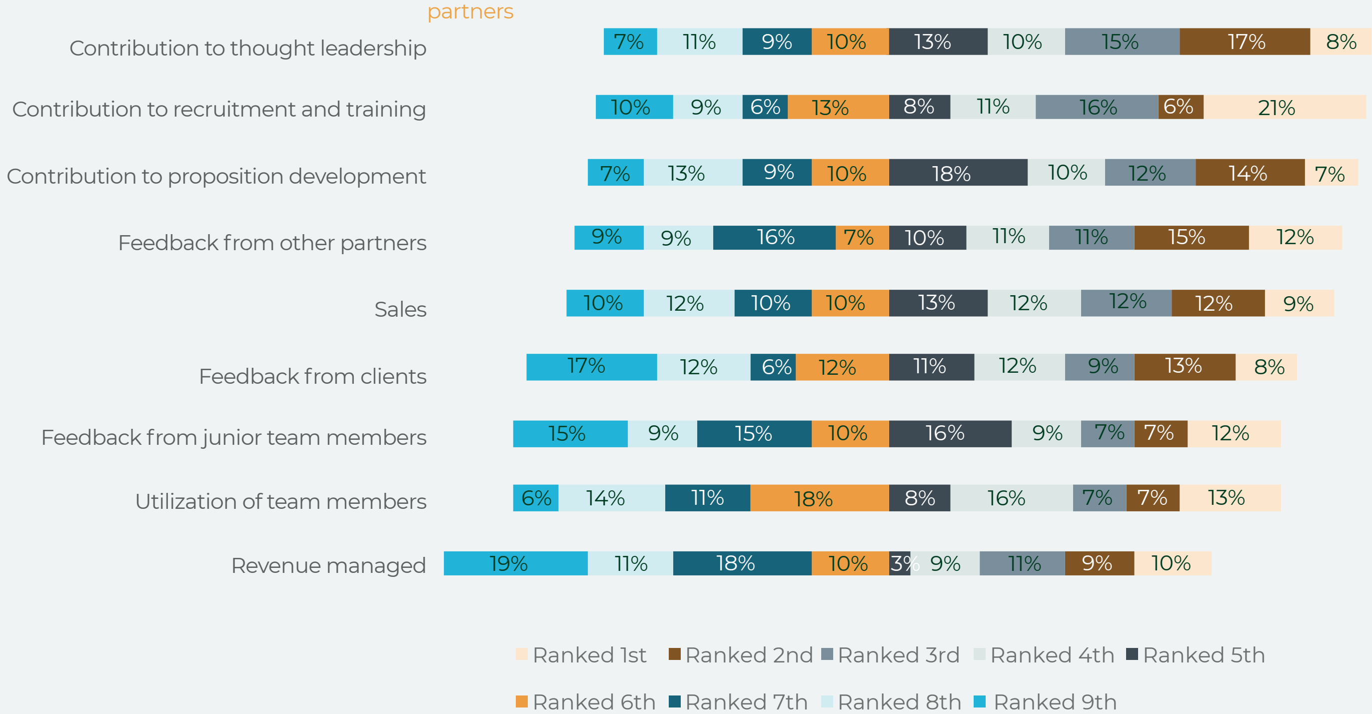


A knock-on effect of these changes has been that firms have had to re-evaluate their approach to measuring success. It used to be that your advancement within a firm (and your bonus) was determined by clear, concrete metrics: sales made, revenue managed, utilisation, and so on.

But it is becoming harder and harder to use those metrics to make a clear assessment of a partner's contribution to the growth of the business: How do you fairly compare the partner who sells 10 projects in a year against the one who makes a single five-year managed service deal? Who should get a bigger bonus: The partner who leads the development of an incredible new product, or the one who licenses that product to a dozen different clients?

Even worse, an over-reliance on these sorts of data points can lead to myopia within a firm. At a time when partners are actively trying to promote cross-functional and cross-regional collaboration, the last thing that is needed is reward structures that actively disincentivise joined-up approaches to winning and delivering work.

Figure 3.5 The metrics that firms consider most important to evaluating the success of partners



None of this is to say that there is no place in the firm of the future for hard-nosed financial metrics. It is just that these indicators will be, at best, one part of a holistic approach to partner evaluation. As Fig. 3.5 demonstrates, most firms now look at a rich and varied range of indicators when reviewing the success of individual partners. And they generally place only moderate weight on directly attributable sales and revenue. Far more important is a partner's visible contribution to the life of the firm: The recruitment initiatives they spearheaded, the compelling thought leadership they authored, or the propositions they helped to develop.

This has had the effect of making performance reviews more subjective and less dispassionate. But that is a small price to pay if the end results are more nuanced and meaningful evaluations. However, there is more that firms could be doing if they are serious about ensuring that their leaders reflect the values of the organisation as a whole.

In particular, we recommend making more effort to implement formalised feedback mechanisms—both to allow clients to reward the partners who have gone above and beyond to provide outstanding service, but also to capture the views of the team working underneath each partner.

The question of how partners are evaluated and measured obviously has to be informed by the structure of your partnership—i.e., whether it's a salaried partnership or an equity partnership. And there's a balance to be struck: On the one hand, you want to give space for different partners to focus on different areas of the business, but on the other hand you need common standards of comparison in order to fairly apportion revenues. This isn't new, of course—we've always had to deal with the challenge of how to fairly compare audit partners and tax partners, for example. But as partnerships become more complex, the problem becomes more acute.
Paul Clark, EY

There's an argument that the next generation are less career-oriented than their parents; or at least, are more willing to move around between organisations and define their own career path. But consulting is actually in quite a privileged position: it provides people with many different experiences across different clients, industries and capabilities. Perhaps consulting is the perfect answer to the needs of this new generation!
Adrian Bettridge, Baringa Partners

What does this mean for your firm?

- **Improve retention of top-quality people by providing them with more flexibility in the type of work they do and how they do it**
- **Ensure there are viable, well sign-posted career paths for consultants who want to specialise in the development of new technology products or new services**
- **Implement a holistic approach to partner review—balancing financial targets against achievement of internal objectives and feedback from clients and team members**

About our methodology

Unless otherwise specified, the data in this report comes from a study conducted in January 2020 of 100 partners in US consulting firms. All participants in this study were partners of firms with at least 500 employees. Sixty-seven percent of participants were male and 33% were female; 9% identified themselves as members of the LGBTQ community, and 9% described themselves as having a disability.

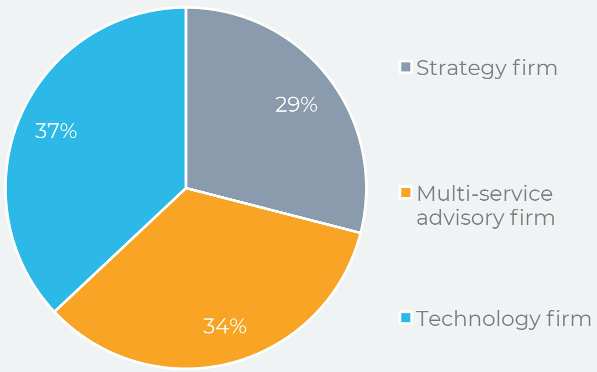
All participants identified their firm's core business as management and/or technology consulting. At certain points in this report, we have drawn a distinction between the following types of firms:

- Strategy firms (e.g. McKinsey or Boston Consulting Group)
- Multi-service advisory firms (e.g. KPMG or Deloitte)
- Technology firms (e.g. IBM or Capgemini)

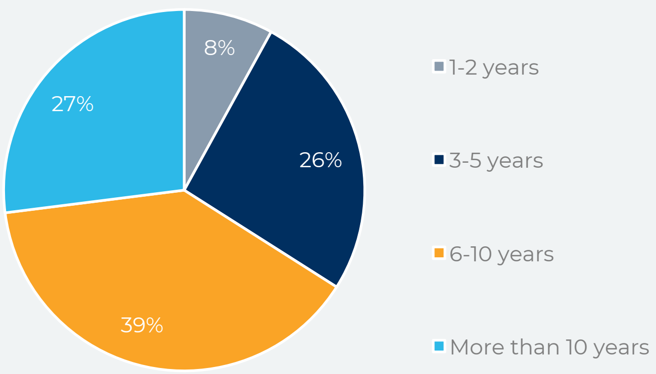
Categorising different consulting firms is something of an imprecise science, given the complex contours of the industry; these distinctions are intended only to give a general sense of the different ways in which trends impacting consulting are playing out across different types of firm.

Where necessary, we have also drawn on data from our global data model, a bottom-up model of the professional services industry covering 84 countries, 29 industries, and six major service lines and containing about 9.7 million data points.

Appendix Figure 1 Types of firms represented in our study



Appendix Figure 2 Time spent as partners by respondents in our study



Contributors

We are extremely grateful to all the people we spoke to for making this report possible. Below is a list of individuals who have contributed (excluding those who wished to remain anonymous).

Name	Job title	Organisation
Adrian Bettridge	Managing Partner	Baringa Partners
Vikram Chakravarty	Managing Partner – ASEAN TAS	EY
Paul Clark	Global Managing Partner, Managed Services	EY
Wendy Conway Schmidt	Principal (Retired)	Deloitte
Lisa Dauber	Head of Experienced Hiring EMEA and US	Oliver Wyman
Christian Edelmann	Partner, Co-Head of EMEA, Financial Services, and Global Head of Wealth & Asset Management	Oliver Wyman
Lorraine Mackin	Partner and Head of Insight Led Improvement UK	KPMG
Charles Vivian	Managing Director and Portfolio Group Lead	North Highland
Hugo Walkinshaw	Chief Partnership Officer	AntWorks
Bin Wolfe	Global Deputy - Talent	EY
Jonathan Wright	Global Head Cognitive Process Re-engineering	IBM Services

About Sheffield Haworth

Sheffield Haworth is a global challenger talent consultancy focused on people led transformation and our purpose is to help organisations and people to realise their potential.

Our clients span the Consulting, Technology & Services, Financial Services, Real Assets and broader Corporate sectors and our services covers Executive Search, Talent Advisory & Development and Consulting Solutions.

Established in London in 1993, Sheffield Haworth has undergone significant growth and expansion, now employing over 150 professionals in 12 global offices throughout the Americas, Europe, Middle East and Asia Pacific regions, with a client list that includes a substantial number of leading global organisations.

Operating as a single global P&L and team approach we bring together much broader expertise from across the group to support clients with their most complex talent related challenges.

sh gillamor stephens

Consulting, Technology & Services

Sheffield Haworth has merged its Business and Professional Services sector practice with the Technology sector practice, Gillamor Stephens, to form the global Consulting, Technology & Services sector practice. This integration has enabled the practice to maximise the combined capabilities of the teams across geographies, and fully integrate the acquisition of Gillamor Stephens made in 2018.

The Consulting, Technology & Services team at Sheffield Haworth has extensive global experience across the breadth of the sector. Our clients include global brands and emerging businesses across Consulting & Advisory, Technology Services, Deep Tech, Enterprise Software, Business Services and Professional Services.

The team works with clients across all industry sectors, competencies and functional areas including all aspects of technology, data and analytics, digital, cyber, strategy and operations, finance, human capital, risk and compliance. These experiences have also led to our team developing a proven track record of bringing best practice in strategy, transformation, technology and change experience to corporate clients looking to strengthen capabilities or manage disruption.

About Source Global Research

Source Global Research is a leading provider of information about the market for professional services.

Set up in 2007, Source services the professional services industry with expert analysis, research, and reporting. We draw not only on extensive in-house experience, but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency, and transparency.

Among other things, our work includes:

- Deep market and competitor analysis
- Acquisition strategy
- Proposition strategy and development
- Brand and client sentiment analysis
- Thought leadership strategy, development, and review

Los Angeles
New York

London
Dubai
Geneva

Mumbai
Delhi
Singapore
Hong Kong
Shanghai
Melbourne
Sydney

Sheffield Haworth
Americas
+1 212 593 7119

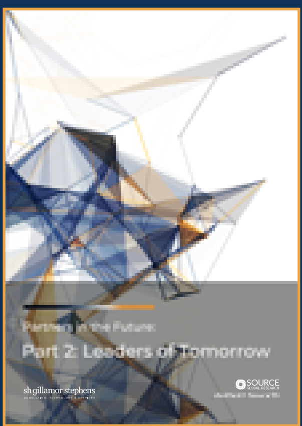
EMEA
+ 44 20 7236 2400

APAC
+65 9114 3985

www.sheffieldhaworth.com
enquiries@sheffieldhaworth.com

Also in the *Partners in the Future* series:

Part 2: Leaders of Tomorrow



sheffield haworth