

A Hybrid Management Consulting Business Model

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Abstract

This article first looks at the traditional model of management consulting, its features and strengths, and the way it has contributed to the enduring success of the industry. It recognizes the more complex and dynamic environment of the profession and the technological challenges to that traditional model and then looks at the partnership and corporate business models. Finally, it proposes a new hybrid model of management consulting that blends the two business models and integrates new capabilities to deal with major challenges to larger consultancies brought about by the implementation of AI.

Introduction

There is an early 20th century curse that reads, “May you live in interesting times”. That curse played out in full, beginning in 2019, with the Covid pandemic. Today, it can be applied to the recent surge in the use, and abuse, of Artificial Intelligence (AI). In recent years, many industries and sectors have had to adapt to significant changes to the way business is conducted because of the widespread adoption and integration of digital platforms and the rise of AI applications. While long predicted (Christensen et al., 2013), it appears that the evolutionary path of the profession has now reached a point where fundamental changes are needed if large advisory firms are to survive.

When I began my career in the management consulting field, in 1983, the traditional model of management consulting was well established. Up until recently, not much had changed in the field and large consulting firms continued to be successful using this model. When AI appeared on the horizon, I wondered how this technology would affect my industry. I was intrigued to see how quickly the technology was being integrated and adapted into various fields of business. This quick uptake of AI is even faster than the uptake computers had in the 1940s with large frame computers and later in the 1970s with the transition to personal computers. For business, computers were accepted as technology that could make the workplace more efficient, more cost effective, and more successful. AI will make a larger change in the management consulting field and even threaten firms that don’t embrace the technology and use it to its full advantage.

The reader is encouraged to refer to the extensive bibliography at the conclusion of the paper as well as references included throughout to gain a more complete understanding of this case for change.

The Traditional Model of Management Consulting

The longevity and capacity to add value through the management consulting process is attributable in part to the effectiveness of the enduring core business model of the profession. The traditional management consulting model has been the foundation of firms like McKinsey, BCG, and Bain (MBB), as well as the strategy arms of the ‘Big Four’: Deloitte, PwC, EY, and KPMG. This model relies on high-touch, expert-driven advisory services, typically operating under a partnership structure. Larger firms have moved well beyond strategy into more functional and operational issues that require the application of different disciplines and expertise within this business model.

Key features and strengths of the traditional business model

Successful consulting firms are expert-led and relationship-driven entities. Consultancies hire top-tier talent to advise Fortune 500 companies, governments, and global organizations that create trusted client relationships which are core to revenue generation, often nurtured and built up over decades. Providing high-value advisory services for CEOs and top executives justifies high fees. Over time, these long-standing client relationships are built upon a reputation for trusted, independent advice that provides high levels of client satisfaction. Tangible positive changes to

corporate performance, attributable to this expert advice, have strengthened these relationships.

The time-based revenue model allows consulting firms to charge clients based on billable hours with hourly or daily rates for consultants charged at different rates. Large, high-margin engagements sustain profitability, with partners focusing on high-value strategic work. Much of the intensive work is undertaken by more junior analysts and consultants leveraging the reputations and insights of the firm's senior advisors.

The current "Up or Out" career progression model allows junior consultants (associates and analysts) to work under a structured hierarchy, gaining valuable experience across industries. Those who aren't promoted are encouraged to exit into industry roles, such as corporate strategy, private equity, or technical fields. This strong talent pipeline ensures that only top performers remain to keep the quality of services high, since orientation and onboarding are conducted with an emphasis on ethics and best practices.

Traditional management consulting firms offer a generalist approach to the field with sector expertise. The firm's consultants are generalists rotating across industries, before moving on to specializing in a particular industry. Over time, these firms have developed dedicated sector practices in fields such as finance, healthcare, and energy. Strong knowledge sharing and internal networks mean that consulting firms invest heavily in internal research, proprietary frameworks, and best practices, thus enabling consultants to leverage past expertise. Using these strengths, international expansion allows firms to offer localized solutions with global expertise.

To balance this rosy picture, the model does feature several tensions (discussed extensively in the work of O'Mahoney, Joe 2022 included in the bibliography) related to an over-reliance on billable hours, a conflict between standardization for efficiency at the expense of innovation versus more labour-intensive customization tailored to suit client needs, and prohibitive fees that are not always aligned with the value they deliver. From a client perspective, there are numerous examples of firms that have become over-reliant on the specialized and unique knowledge of major consultancies. This power imbalance can undermine internal decision-making and strategic thinking and in the long run reduce client firm capabilities. The business model contributes to this situation by continually offering new projects that lead to dependence, and by limiting the ability of clients to implement recommended changes.

Perhaps the two most serious concerns about the profession lie in the potential for conflict of interest and the assessment of the impact of the advisory services. It is tempting to recommend solutions that serve the interests of the consultancy, and that is occasionally a point of contention. Additionally, firms are rarely held accountable for the outcomes of their recommendations. Clients often struggle to measure the actual impact of the advice, especially when the outcomes are long-term and not immediately measurable. This means that consultants can still charge significant fees without having to prove that their work led to tangible results. Ultimately, the success of an engagement is often subjective and difficult to quantify.

Many of these issues are inherent to the model and are continually being monitored and managed by both parties. However, the changing environment has introduced a whole new set of challenges.

Adapting to a More Complex Environment

The business environment has become increasingly complex. For many business leaders that environment is less comprehensible and predictable due to a convergence of factors that span geopolitical shifts, technological advancements, regulatory changes, and evolving market dynamics. Recent United States (U.S.) trade policies have introduced new tariffs targeting countries like Canada, Mexico, China, and Colombia, affecting industries like the automotive industry and increasing economic uncertainties. Companies must now conduct risk assessments and integrate geopolitical risk analysis into their strategies to navigate these complexities effectively.

For example, the interaction between the European Union's (EU) Artificial Intelligence Act and the General Data Protection Regulation (GDPR), along with inconsistencies in GDPR implementation across EU countries, leads to significant compliance costs. This complexity hinders scaling, investment, and innovation (Meyers, 2024; Renda, 2025). The regulations have significant impact on privacy law and may serve as the framework for AI regulations.

Medium-sized firms, especially manufacturers, are increasingly concerned about export barriers, identifying them as primary threats to growth. Nearly half of these companies see export and trade barriers as major challenges, while over a third cite exporting goods and services as the main obstacle to business expansion. Rising employment costs due to increased national insurance contributions and a higher national living wage further exacerbate these challenges.

The integration of new technologies requires continuous adaptation and can disrupt existing operational structures. Globalization has led to intricate supply chains that, while efficient, are vulnerable to disruptions from geopolitical events, pandemics, or natural disasters. This interconnectedness necessitates robust risk management strategies to maintain business continuity. Economic fluctuations and market volatility have become more pronounced, requiring businesses to be agile and resilient. The increased rate hikes and cuts, along with elevated volatility in currencies, commodities, and equities, have created favorable conditions for macro strategies.

In summary, the modern business environment's complexity stems from a multifaceted interplay of geopolitical, regulatory, technological, and market factors. Organizations must adopt agile strategies, enhance risk management, and foster innovation to navigate these challenges effectively. In addition, businesses have also had to adapt to a change in somewhat less predictable environmental conditions caused by a financial crisis, a pandemic, and shifting trade policies.

How Technology is Contributing to Complexity

A key driver of change is the widespread adoption of digital transformation, AI, and robotics. These technologies have significantly impacted businesses across various

industries by increasing efficiency, reshaping jobs, and driving new competitive dynamics. The key areas of impact are listed below.

Increased Efficiency and Productivity to Streamline Operations

AI and robotics are being used to streamline repetitive tasks, reduce human error, and increase speed. For example, AI-driven chatbots handle customer service, while robotic process automation (RPA) improves back-office operations. AI-powered analytics process large datasets in real-time, enabling businesses to make faster and more data-driven decisions. AI also enhances demand forecasting, inventory management, and logistics, which makes supply chains more resilient and cost-efficient.

Business Model Innovation to Restructure Operations

Companies are increasingly adopting AI-based subscription models such as Software as a Service (SaaS). Predictive maintenance is provided by robotics and AI-driven Internet of Things (IoT) devices in manufacturing to predict equipment failures before they occur and reduce downtime. Smart manufacturing (Industry 4.0) allows factories to leverage AI-driven robotics for precision, speed, and cost-efficiency in production.

Workforce and Job Market Changes to Manage Talent

While automation replaces some routine jobs, it also creates new roles in AI development, robotics maintenance, and data analytics. Businesses must invest in workforce training to equip employees with the digital skills necessary to work alongside AI and automation. AI augments human work rather than fully replacing it, enabling employees to focus on higher-value tasks.

Customer Experience Transformation to Enhance the Customer Interface

AI-driven recommendation engines (e.g., Netflix, Amazon) enhance customer experiences by tailoring content and product suggestions as a more personal experience for the client. AI chatbots and virtual assistants (e.g., ChatGPT, Siri) improve customer service by providing instant responses through 24/7 customer support. In addition, AI-powered fraud detection ensures frictionless, secure online transactions and enhances trust in digital commerce.

Competitive Landscape and Market Disruption to Gain a Competitive Advantage

Businesses that integrate AI and digital transformation quickly (e.g., Tesla, Amazon, Google) outperform traditional competitors. Companies slow to adopt AI face inefficiencies that lead to competitive disadvantages. AI enables startups to disrupt industries with innovative solutions (e.g., AI-powered legal tech, health diagnostics) and gain a competitive advantage.

Ethical and Regulatory Challenges to Raise Integrity Concerns

AI models can reflect biases and a lack of fairness in training data, leading to discrimination in hiring, lending, and law enforcement. Increased AI usage raises concerns about data protection and the necessity for stricter regulations (e.g.,

GDPR, Artificial Intelligence Act). Governments and businesses must balance automation with policies to support displaced workers.

Digital transformation, AI, and robotics are reshaping industries and offering immense opportunities but also posing significant challenges. Businesses that proactively embrace these technologies while addressing ethical and workforce concerns are expected to thrive in the evolving landscape. Consulting relevance is based on their ability to work effectively in that environment and integrate this capability into how they work.

Issues Facing Management Consulting

Disruption in the consulting profession has been predicted for over a decade (Christensen et al., 2013) and it appears that major changes are now being driven by erosion of trust, limitations of the dominant partnership model, and shifts in the hiring of new talent. These are the three main issues facing the management consulting industry today.

1. Erosion of Trust in Management Consulting

The trust in management consultancies has been eroding due to several factors, including conflicts of interest, high-profile failures, ethical concerns, and the growing demand for more transparent and accountable consulting services.

The extended bibliography at the end of this article includes several sources that discuss trust in consultancies extensively (Economist 2022 and 2024b; Foley, 2024, Gladstone, 2024; Timmins 2022; Storbeck, 2020; UK Public Accounts Committee, 2020; Bogdanich and Forsythe, 2022; Mazzucato and Collington, 2023; Foley and Foley 2024a). Framing the issue from this perspective provides some insight.

High-Profile Failures and Scandals

High-profile failures and scandals in the management consulting field have included well-known large consultancy firms. McKinsey & Company faced intense scrutiny for advising Purdue Pharma on how to "turbocharge" opioid sales, despite the devastating public health impact on the public. The firm later settled lawsuits for nearly \$600 million, severely damaging its reputation. Bain and Company was banned from United Kingdom (U.K.) government contracts for three years due to its involvement in facilitating state capture in South Africa under Jacob Zuma's administration. EY failed to detect a €1.9 billion fraud in Wirecard's financials, raising concerns about the reliability of audits and consulting services provided by major firms. These scandals have fueled public skepticism about consultants prioritizing profits over ethical responsibilities.

Conflicts of Interest and Lack of Independence

Many consulting firms provide both advisory and audit services to the same clients, raising concerns about impartiality, while the "revolving door" between consultancies and governments leads to accusations of undue influence and conflicts of interest. Consultants often recommend solutions that benefit their own businesses, such as advising on digital transformation and then selling the implementation services. The

'Big Four' (PwC, EY, Deloitte, and KPMG) have faced criticism for simultaneously auditing companies and offering them consulting services that undermine objectivity.

Overpromising and Underdelivering

Some firms pitch bold strategies but fail to deliver measurable outcomes, leading to disillusionment amongst clients. High-level frameworks and generic recommendations often fail to address a company's specific operational challenges. Firms find that clients complain about the "bait and switch" tactic where senior consultants sell the project, but junior, less-experienced consultants execute it. Due to this strategy, government studies find that strategies proposed by consulting firms often fail to deliver on promised public-sector savings.

Overreliance on Consultants in Government and Corporate Strategy

Governments and corporations increasingly outsource critical decision-making to consulting firms rather than relying on internal expertise. This creates a dependency cycle where consultants shape policies, leading to concerns about democratic accountability and corporate governance. Over time, companies may weaken their own leadership by relying too much on external consultants. Due to similar issues, the governments of France and Germany have restricted the use of consultants over concerns about excessive spending and dependency.

Digital Transformation and AI Exposing Inefficiencies

AI-driven analytics, automation, and open-source business intelligence tools are reducing the need for traditional consulting services. Many companies now build in-house strategy and data science teams, challenging the traditional value proposition of consultancies. AI tools (e.g., ChatGPT, Tableau, and Palantir) enable businesses to analyze data and make strategic decisions without expensive consulting fees. It's concerning that clients are questioning whether consulting firms still offer unique expertise or just package widely available information.

Push for Greater Accountability and Transparency

Regulators and watchdogs are pushing for greater oversight of management consultancies. Some governments now require consulting firms to publicly disclose contracts, fees, and methodologies. Many clients are demanding performance-based contracts, where consultancies are paid based on actual results rather than just advice. For example, the U.K. government is reviewing how public-sector consulting contracts are awarded to increase transparency.

Can Trust Be Rebuilt?

The consulting industry is at a crossroad - either it adapts to growing demands for transparency, accountability, and ethical leadership, or it risks further erosion of trust and relevance. The firms that embrace real value creation, ethical consulting, and technological transformation will survive and thrive in the long term. Trust can be rebuilt in the management consultant industry through:

- stronger ethical guidelines with firms enforcing stricter conflict-of-interest policies and disclosing potential biases

- greater transparency around public reporting on fees, client engagements, and project outcomes
- results-oriented consulting using performance-based fees instead of hourly billing
- reduced over-reliance on consultants when businesses and governments invest in internal capabilities rather than outsourcing critical decisions.

2. Utility of the Management Consulting Partnership Model

The partnership model has been the foundation of major consulting firms for decades, but as firms scale, globalize, and integrate AI-driven services, many are questioning whether this structure is still effective (Fubini, 2024). The following are the challenges to the partnership model in management consulting today.

Slow Decision-Making and Bureaucracy

Traditional partnership governance is consensus-driven, making firms slower to adapt to technological and market changes. Large firms like McKinsey, BCG, and Bain have hundreds of senior partners, which can lead to political infighting and resistance to change.

Scaling Issues

The profit-sharing structure means partners focus on short-term profitability, sometimes at the expense of long-term investments (e.g., AI, automation, digital transformation). Unlike corporations that raise capital through shareholders, partnerships rely on reinvesting profits, which can limit expansion and acquisitions.

Conflicts Between Globalization and Local Autonomy

As firms expand worldwide, regional partners prioritize local profitability, sometimes clashing with global strategy. Firms like Deloitte and PwC, which have incorporated as corporations in some regions, have greater control over global strategy.

Difficulty Attracting External Talent and AI Investments

The "up or out" model makes it difficult for firms to attract technical talent, AI specialists, and digital innovators who don't fit the traditional partner track. Unlike tech companies and private equity firms, partnerships lack stock-based compensation, making it harder to attract top AI and data science professionals.

3. Attracting Talent

The consulting sector is notorious for high employee turnover, particularly in junior and mid-level roles due to burnout, talent shortages, and a dependency on "stars".

In the future, there are likely to be reduced demands for junior analysts due to automation and a shift to strategic judgement, governance, and implementation skills that are shaped by experience. Management consulting firms have traditionally hired from elite business schools and top universities, but the talent pool is diversifying ("The Future of Jobs Report", 2025; The Economist, 2025) as firms seek candidates with digital, AI, and industry-specific expertise. New hires are coming from more

diverse backgrounds and non-traditional sources than ever before. While MBAs and business grads still dominate, consulting firms are aggressively recruiting AI specialists, engineers, data scientists, and industry experts to meet the growing demand for tech-driven and sector-specific consulting.

There are concerns with how AI will change the demands for clients. Hiring from non-traditional sources requires a corporate structure that hires more aggressively for a changed workforce with a different ethical orientation that may lead to distrust through unacceptable behaviour. Also, the downsizing of consulting staff can create a distance between partners and junior and mid-level staff that may weaken ethical training and enculturation.

Traditional Sources of Business and Economics Graduates

MBA programs from top business schools remain the dominant pipeline for consulting firms (e.g., Harvard, Wharton, INSEAD, LBS) that aggressively recruit MBAs for strategy, financial modeling, and leadership roles. Undergraduate programs provide graduates with degrees in economics, finance, and business administration from top universities and are still highly sought after. Target schools often include Ivy League and Oxbridge institutions, as well as science, technology, engineering, and mathematics (STEM)-focused universities. Currently, traditional hires lack deep technical expertise in AI, data science, and engineering, which are now critical for consulting firms.

Emerging Sources: STEM and Digital Talent

Engineering and data science graduates from STEM backgrounds (math, physics, computer sciences) are being hired in larger numbers by such firms as McKinsey, BCG, and Bain (MBB). These students provide key skills in AI, cloud computing, and data analytics as consulting shifts towards digital transformation projects. Proactive firms are hiring computer science and AI/ML graduates to advise on AI strategy, automation, and digital disruption. Some hires come directly from tech companies (Google, Amazon, Microsoft) rather than traditional academia. As consulting moves into customer experience (CX) and digital transformation, firms are hiring designers, UX experts, and product managers. This trend is growing at firms like Deloitte Digital and Accenture Interactive.

Industry-Specific Experts and Lateral Hires

Healthcare and life sciences experts, such as medical doctors, biostatisticians, and public health professionals are in demand and are being hired by firms like LEK Consulting and IQVIA that specialize in pharma, biotech, and healthcare consulting. Energy transition and sustainability specialists from the oil and gas or renewable energy sectors are being recruited as Environmental, Social, and Governance (ESG) consulting grows. Firms in this area hire from climate science, engineering, and sustainability backgrounds. Finance and private equity consultant professionals come from investment banking, private equity, and hedge funds, especially in mergers and acquisitions, restructuring, and financial strategy.

Non-Traditional Talent: A Growing Trend

Firms are targeting ex-startup founders, entrepreneurs, and those with hands-on experience in scaling businesses. Growth strategy and digital disruption are key consulting areas where startup experience is valuable. Government and policy experts, including ex-regulators, policymakers, and public sector leaders are joining firms specializing in government advisory, infrastructure, and economic development. For example, Bain, McKinsey, and BCG have dedicated public sector teams hiring from these backgrounds. Strategy consulting firms still hire political science, philosophy, and history majors from the liberal arts and social sciences for problem-solving and critical thinking skills. These hires often need additional data analysis and business acumen training after joining the firm.

In-Demand Disciplines and Skills for Management Consulting

Different disciplines are in demand for different skills. For example:

- Business, economics: Strategy, market analysis, financial modeling
- Computer science, AI: Digital transformation, AI strategy, automation
- Engineering, data science: Data analytics, cloud computing, process optimization
- Finance, accounting: Mergers and acquisitions advisory, corporate restructuring
- Healthcare, life sciences: Pharma consulting, biotech strategy
- Sustainability, energy: ESG consulting, carbon neutrality strategy
- Political science, public policy: Government consulting, economic advisory

This multicultural and multidisciplinary mix of talent poses some real challenges in orientation and integration into corporate culture.

Partnership and Corporate Business Models

A comparison of the partnership and corporate business models raises questions of fit, with changes taking place in the environment and the capacity to manage large, diverse, multinational organizations.

Partnership Model

The partnership model is the traditional structure used by firms like McKinsey, BCG, Bain, and parts of the 'Big Four' (PwC, EY, Deloitte, KPMG). Partners can pool their resources (cost savings and improved efficiency), save on taxes by not being subject to double taxation at the business level, improve outcomes through collaborative decisions, offer deeper and more varied expertise and broaden their business opportunities by working collaboratively in a mutually dependent business structure.

Pros: The partnership model provides long-term stability, lower internal pressures, and client trust because the partners have a direct stake in the firm and a commitment to reputation and client relationships. Since the partners operate as owners, there is a strong strategy focus, and decisions are made with autonomy and personal accountability in an entrepreneurial culture. Expertise-driven growth focuses on knowledge-sharing, mentorship, and ensuring high-quality consulting talent development. The partnership model also encourages collaboration and firm-

wide success through profit-sharing and incentive alignment rather than short-term profits.

Cons: The consensus-driven governance of the partnership model can lead to bureaucracy, resistance to change, and slow decision-making. Since there is often limited capital for investment with no external shareholders, firms must reinvest profits, which restricts major AI and tech expansions. The model also relies on billable hours, which makes automation and digital transformation harder to integrate and results in challenges in scaling AI and digital offerings. Since the model lacks stock-based compensation, it is less competitive and makes it more difficult to attract and hire top technical and AI professionals.

Corporate Model

A corporation, often referred to as a company or business entity, is a legal structure that exists as a separate legal person from its owners (shareholders). It has the capacity to own assets, incur liabilities, enter contracts, and conduct business activities independently.

Corporations can range from small family-owned businesses to large multinational conglomerates. The corporate model is used by Accenture, Capgemini, and some private equity-backed consulting firms (e.g., AlixPartners). It allows firms to scale operations independently of a single consultant or a group of partners, enabling them to handle larger engagements and serve more clients simultaneously. It also frees up partners to generate revenues, enhance utilization rates, and create exceptional value delivery. These advantages highlight the strategic benefits of adopting a corporate model in the consulting industry.

Pros: Publicly traded firms, or private equity-backed consultancies, can access external capital to raise funds for tech investments and acquisitions. The model's corporate leadership structure allows for quicker strategy shifts and digital adoption. Firms are also able to invest heavily in automation, AI-driven consulting tools, and productized services for better integration of digital technology. The competitive compensation advantage of the corporate model allows for stock options and corporate incentives that help attract top-tier AI, technical, and digital transformation talent.

Cons: Public companies can face shareholder expectations and sometimes prioritize quarterly earnings over long-term relationships. Decision-making from partners with less autonomy is centralized, which can reduce the entrepreneurial spirit that partnerships encourage. In the corporate model, expanding too fast or diversifying services (e.g., tech implementations) can reduce the firm's strategy focus by diluting consulting experience. Clients may also perceive corporate models as prioritizing profits over advisory integrity.

Hybrid Model of Management Consulting

Some firms are adopting hybrid structures that combine the most useful and successful elements of the partnership and the corporate models. For example:

- Deloitte and PwC have corporate structures in some regions, allowing for outside investment, more flexibility, and greater strategic control over global strategy.
- EY's attempted split of its consulting and audit divisions ('Project Everest') showed how partnership models can limit innovation and risk management.
- Private equity-backed consulting (AlixPartners, FTI Consulting) blends profit-sharing incentives with outside investment but operates with external investors, creating a more agile structure.
- Firms like Accenture and Capgemini have fully corporate structures (publicly traded companies) and operate differently from the traditional consulting giants
- Firms like Oliver Wyman and Roland Berger mix corporate leadership with a partnership-style profit-sharing model.

Traditional partnerships are under pressure but not obsolete. Firms that focus on high-value strategic consulting may maintain partnerships, while those investing heavily in AI, automation, digital services, and global operations may outgrow a partnership model and transition towards corporate (Foley, 2024) or hybrid models. In the future, firms may use a corporate-backed AI-driven consulting approach with recurring revenue models.

Management Consulting Adaptations

Digital transformation, AI, and robotics are reshaping the consulting industry, driving efficiency, enhancing service offerings, and changing the way consultants interact with clients. The following technologies are now impacting consulting.

Enhanced Data-Driven Decision-Making

Some consulting firms are now leveraging AI-driven analytics tools to process vast amounts of data, uncover patterns, and generate actionable insights faster than traditional methods. The predictive modeling of AI helps consultants forecast market trends, assess risks, and provide data-backed recommendations to clients. Natural Language Processing (NLP) tools automate market research and scan news, reports, and social media to analyze industry trends in real time. For example, McKinsey uses AI-driven tools to enhance business strategy consulting and provide clients with real-time insights.

Automation of Routine Tasks

Robotic Process Automation (RPA) automates repetitive tasks like data collection, financial reporting, and compliance checks, allowing consultants to focus on high-value strategic work. AI tools (e.g., Luminance, Kira Systems) scan and review legal and financial documents, significantly reducing time spent on manual reviews and affirming due diligence. These automation procedures cut down administrative workload and allow consultants to focus on advisory roles rather than data processing.

Personalized Client Solutions

AI-driven customization tailors recommendations based on a client's specific needs and historical data, improving consulting efficiency. Advanced AI-powered Business

Intelligence (BI) tools (e.g., Tableau, Power BI) provide real-time dashboards, helping clients visualize and act on recommendations faster. BCG's AI capabilities help companies optimize supply chains, marketing strategies, and customer experiences with customized AI models.

Virtual Consulting and Remote Collaboration

AI chatbots and virtual advisors support consultants by answering routine questions and providing initial analysis. For example, McKinsey has developed an in-house generative AI chatbot called 'Lilli', BCG uses a tool called 'Deckster', and Deloitte has a fleet of AI agents under the name 'Zora AI'. These are just some examples of a widespread adoption of such agents in large consultancies.

Platforms like Microsoft Teams, Zoom, and Miro, enhanced with AI-driven transcription and note-taking, streamline communication and project management. This reduces the need for constant on-site visits, making consulting services more scalable and cost-effective when handled remotely.

New Business Models and AI-Driven Offerings

Some consulting firms now offer AI-driven products and tools like SaaS as standalone solutions, moving beyond traditional advisory services. AI enables ongoing advisory relationships, as subscription-based consulting, through automated insights and real-time data tracking rather than one-time project-based engagements. Currently, Deloitte provides AI-powered risk management and compliance solutions as a subscription service.

Competitive Landscape and Disruption

Smaller boutique firms specializing in AI-powered strategy and automation are now challenging traditional consulting giants. The 'Big Four' firms: PwC, EY, Deloitte, and KPMG are heavily and rapidly investing in AI and automation to stay competitive. Client expectations are shifting as companies now demand AI-powered insights and expect faster, data-backed consulting services. It's clear that traditional consulting models are evolving, with firms that fail to adopt AI and automation at risk of becoming obsolete.

Challenges and Ethical Considerations

Handling sensitive client data with AI increases cybersecurity and data privacy risks and requires strong compliance measures. Although AI enhances consulting, the skills of human intuition, creativity, and relationship-building remain irreplaceable. AI models can reinforce biases, making it essential for consultants to validate and interpret AI-generated insights carefully. Ethical AI considerations in consulting are growing, with firms like Accenture focusing on responsible AI frameworks. As the capabilities of AI continue to rapidly evolve, it is inevitable that there will be missteps as the profession seeks to establish acceptable boundaries of AI influence in the work produced for clients.

The Future of the Management Consulting Business Model

It appears that disruption to the consulting profession is well underway (“The Lost Art of Self-Management: The Golden Age for CEO Whisperers May Be Coming to an End,” 2024). While predicting the future is a perilous task at the best of times, there are some changes taking place already suggesting a different version of the profession is in formation.

Erosion of Traditional Consulting Models

Changes in the way consulting firms do business means a lower demand for junior consultants. The automation of data gathering and analysis reduces the need for large teams of junior analysts. This could challenge the traditional leveraged pyramid model of consulting, where a few senior partners manage large teams of juniors (Vlamiš et al., 2024). As AI enables faster and more accurate solutions, there could be a shift to outcome-based billing as clients demand value-based or outcome-based fees rather than hourly rates. Firms will need to link compensation to measurable business outcomes. As a shift from business disciplines to STEM disciplines occurs, the need for mechanisms and approaches to enabling productive multidisciplinary work and development of soft skills for technical hires will require more diverse talent.

Greater Focus on Strategic and Human-Centric Work

Although AI can analyze data, human consultants with strategic judgement will still be needed to interpret complex trade-offs, manage stakeholder dynamics, and drive organizational change. For example, AI can identify cost-cutting opportunities, but human judgement is needed to assess cultural and operational impacts. Consultants will increasingly advise on AI strategy, implementation, and governance. Expertise in AI ethics, regulatory compliance, and responsible deployment will become a core part of consulting offerings.

New Consulting Models

As well as shifting to a more corporate structure to assure greater control of multinational firms that have grown significantly, new consulting models are blending human expertise with AI-driven platforms (Haslam, 2021; Lucas, 2025). Firms will combine human expertise with AI-powered platforms to create hybrid consulting models that deliver faster and more scalable solutions. Currently, BCG’s BCG GAMMA unit integrates AI and human consulting teams. Some firms may shift towards SaaS-like models, offering AI-driven strategy platforms rather than traditional project-based work. Accenture’s SynOps platform already integrates AI into operations consulting.

Leading firms will likely build AI-driven business ecosystems where AI tools continuously update client strategies based on real-time data. McKinsey’s QuantumBlack platform offers AI-driven insights across industries. Boutique firms, many of whom have been founded by former traditional consulting firm talent, will see a reduction of bureaucracy, more competitive rates, and a more human side of consulting work better. These firms focus on areas like pricing (Monevate), strategy (Xavier AI, Perceptis AI), operations (Keystone, Fusion Collective), cost reduction (SIB), or refining slide decks (Slideworks).

Consulting firms will have to embrace AI, automation, and digital transformation. AI won't replace consultants, but it will enhance their ability to provide faster, more data-driven, and scalable solutions. Firms that successfully integrate AI into their operations will be better positioned to meet client expectations, reduce costs, and drive innovation.

Conclusion

This exploration of the evolution of consulting has brought me to an understanding that the traditional business model upon which success has long rested cannot be considered in isolation from rapid business evolution driven by a symbiotic relationship between powerful market forces and emergent technological capabilities.

The consulting industry continues to evolve in response to market demands, technological advancements, and shifting client expectations. The future of consulting will be shaped by firms that successfully adapt to digital transformation, embrace ethical consulting practices, and prioritize real value creation over traditional revenue models. It is conceivable that top-tier consultancies will likely dominate complex strategic work where human insight remains critical, and mid-tier firms could face pressure from AI automation and competition from boutique data firms. Given the nature of our connectedness, the industry has greater capacity to create advisory ecosystems where leading firms will offer AI-powered strategy platforms that combine data analysis, forecasting, and execution tools, and strategy and implementation will become more integrated.

Disruption? Indeed!

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