



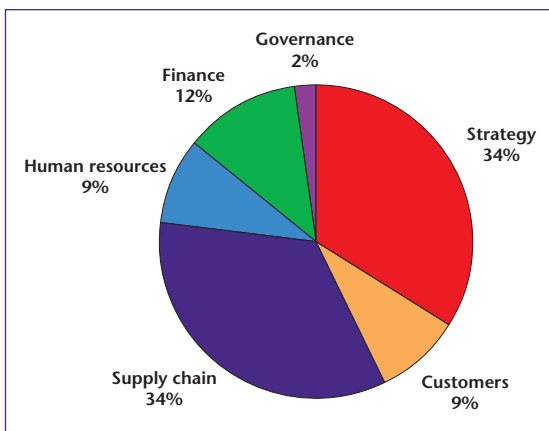
# What is thought leadership?

A recent research programme which evaluated the thought leadership published by the top global consulting firms, identified those that produce the most, the best and the worst material across a range of subject areas and sectors. *Fiona Czerniawska* looks at the four characteristics of good thought leadership.

It is hard to think of a business term more abused than ‘thought leadership’. The websites of the world’s biggest 40 consulting firms contain around 3,500 reports, articles, white papers and books which are billed as thought leadership, and that’s without the tens of thousands of documents which are thinly disguised sales brochures.

The *White Space 2007* report is based on the analysis of thousands of documents produced by leading consulting firms across the world. As exhibit 1 shows, around one-third of the bona fide material addresses strategy-related issues: studies of new or emerging markets, planning tools, etc. Another third focuses on more operational topics such as business process efficiency, technology, procurement and outsourcing. The remaining third covers a host of topics, ranging from leadership to cost control.

**Exhibit 1: Percentage breakdown of overall thought leadership market in 2006**



Most material focuses on the same small number of topics, rather than picking up new and emerging ones. There are, for example, a staggering 500 documents on how to streamline your business processes and only a few on technology issues. Despite this, consulting firms continue to churn out articles as if they are the only ones

to have anything to say on a given subject. Thus we have Roland Berger’s ‘Innovation and Corporate Value’, Marakon’s ‘From Breakthrough to Value: Mastering the Art of Profitable Discovery’, AT Kearney’s ‘The Path to Maximizing Margins’ and the Boston Consulting Group’s ‘Making Innovation Pay’ – to name but a few. Even new topics can quickly become crowded: five years ago, thought leadership on financial management and regulation was thin on the ground, but the amount of material on operational risk has doubled in the past year; that on financial management has increased sixfold.

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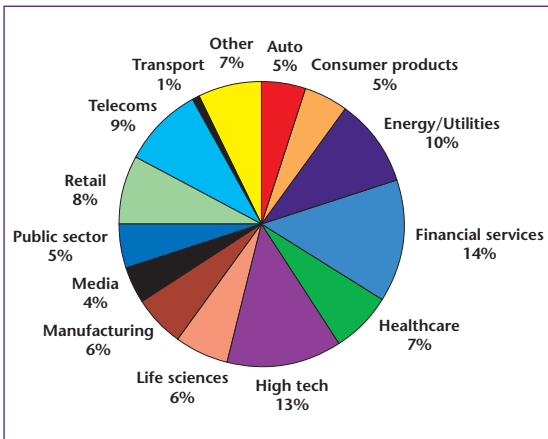
So in such a crowded market how do you tell the good from the bad? Good thought leadership exhibits four characteristics:

- It is relevant and practical
- It is backed up by thorough research
- It says something different or new
- It does not try too hard to sell the services of the consulting firm that produced it.

## Is it relevant?

For managers to hang on to a piece of thought leadership, even for a few seconds, they need to recognise it instantly as saying something about their work. This can be done in several ways. The material may address a topical issue: a current one is how to make your regulatory compliance efficient as well as effective. The title or introductory paragraphs may arouse interest. This is something the Boston Consulting Group excels at, with titles such as ‘Banking on China: Where to Place the Chips?’

## Exhibit 2: Breakdown of sector-specific thought leadership



Thought leadership tailored to the needs of a specific sector will be more relevant than generic articles where the conclusions are judged to be applicable to all sectors. Bankers want to read about people-development issues in banks, not across industry as a whole; retailers want to see how other retailers have improved their technology infrastructure. This is something consulting firms have taken on board. Even two years ago, the overwhelming majority of thought leadership was generic; now, more than half is focused on a particular sector, often financial services, high-tech industries, and energy and utility companies (see exhibit 2).

But the most important aspect of relevance is whether the report, article or book has resonance, the extent to which it aims to address a genuine need. One of the most successful business ideas of recent history was business process re-engineering (BPR). Between 1988 and 1995, Index (where James Champy, who founded the BPR movement with Michael Hammer, worked) grew sevenfold, to \$250 million. Index was not the only firm to benefit – an entire market was born (ironically, Hammer and Champy probably made even more money for Accenture than they did for Index).

One reason for the phenomenal take-up among organisations was that BPR was about more than just streamlining organisations and processes. It spoke to fears among US business people that their places of work needed to change radically if they were to compete with Japanese competitors. Even more profoundly, the idea of taking layers out of an organisation, of empowering individuals, played to the American dream: BPR was about freeing people from corporate tyranny.

The extent of BPR's success was unprecedented; many would argue it is also unrepeatable. But just because only a tiny proportion of thought leadership is ever likely to

achieve this degree of success does not mean that it shouldn't be the aspiration. It is here that consulting firms are at their weakest. For all the words they produce, they are remarkably silent when it comes to some of the most pressing challenges facing organisations today.

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Take, for example, the material produced on people-related issues. When the UK's Management Consultancies Association (MCA) asked people to identify the areas where they most needed consulting help, human resources came top of the agenda. Another survey, also by the MCA, which asked managers to categorise consulting projects they had been involved in, revealed that over three-quarters of the projects were seen to have an HR or change management component, more than strategy, IT or operational improvement.

With potential demand high, it is strange that thought leadership on these issues accounts for only about one-tenth of the total. Moreover, around one-third of this focuses on compliance issues – traditionally the bread and butter of the big HR consulting firms. By contrast, thinking on leadership, the impact of corporate culture and how to make teams work effectively is far thinner on the ground. On the fundamental question of how you get people to do things – which dogs every organisation that has come up with a plan but runs into difficulty executing it – consultants have little to say.

### Is it well-researched?

It is obvious that the more evidence a consulting firm has on which to base its ideas, the better those ideas will be. Hammer and Champy's work involved dozens of organisations before a clear pattern emerged. The business bestseller lists of the past few years show that the books that have been almost endlessly researched – *Built to Last* by Jim Collins and Jerry Porras is a good example – are also the ones with the longest shelf-lives. Where consultants (and academics) can play a valuable role is in seeing apparently isolated issues as part of an underlying system – clients see their own experience but not necessarily that of others.

Some consulting firms do espouse this model. IBM and McKinsey lead the way, with Accenture following close behind. McKinsey has long been one of the most

substantial investors in thought leadership in the consulting industry. Its output continues to be enviably well-researched. Although IBM appears to be producing less material than it did in the past, it has clearly taken the view that what is worth doing is worth doing well. This is evident in the type of in-depth research it commissions and the ideas it can develop as a result.

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But clear space is beginning to emerge between these firms (and a handful of others) and those that still believe their experience with just one client is worth writing home about. You only have to look at one of the newest topics on the consulting agenda – transformational outsourcing – to see this. Transformational outsourcing, it is claimed, is different from conventional outsourcing because it combines outsourcing and consulting in order to deliver continuous gains in efficiency and effectiveness.

Most people would agree that a new approach to outsourcing deals is overdue. The need for greater operational flexibility and specialist skills to be applied to core as well as non-core processes is forcing outsourcing to evolve. Rather than being a commoditised service cannibalising higher-end consulting, outsourcing is becoming more reliant on consulting. Using more consulting expertise provides a way around two of the most common problems to afflict conventional outsourcing contracts: lack of strategic clarity; and failure to re-engineer processes before they are outsourced. Transformational outsourcing is therefore predicated on the idea that the organisation which decides to outsource needs to be transformed just as much as the process that is being outsourced.

Of course, what matters in the end is that the client gets results. Conventional outsourcing has a mixed track record; so given the benefits transformational outsourcing is intended to deliver, can it perform better? Traditional outsourcing focuses on doing the same things in the same way but leveraging economies of scale and skills to reduce costs by 10–15%; transformational outsourcing is supposed to deliver more substantial improvements. In this respect, it is not so much inheriting the mantle of BPR as overcoming its weaknesses. This is where thought leadership on transformational outsourcing runs into trouble. It certainly meets the first criterion – there is a need for a different approach to outsourcing. But thought leadership on the subject will

only be credible where there is tangible proof that its benefits outweigh its considerable costs. Lots of firms have case studies to prove their point, but one case study is not enough.

## Is it new?

There is, famously, nothing new under the sun, so it seems slightly churlish to demand it of consulting firms. But innovation does not have to mean big ideas. Sometimes it is the small, surprising insights which will make a piece of thought leadership genuinely interesting. A seasoned buyer of consulting once described this as the ‘stardust’ of consulting: you didn’t always find it, but when you did it was incredibly valuable.

Some material produced by consulting firms has this stardust. Launched more than ten years ago, at a time when a new generation of dotcom-inspired magazines was hitting the news stands, Booz Allen Hamilton’s magazine, *strategy+business*, has outpaced and outlasted most of those rivals, and continues to be one of the best-written and original collections of thought leadership associated with a consulting firm anywhere. “We wanted some kind of incubator in which we could test out and develop new ideas,” says Art Kleiner, the current editor, “and we wanted to invite leading people from business and academia to debate the issues. But, as a consulting firm, Booz Allen makes its money from selling and delivering its services on an exclusive basis. *strategy+business* is a way of solving that conundrum, of reconciling openness with commercial necessity.”

Mr Kleiner argues that what is unique about *strategy+business* is that it takes management seriously. “We don’t treat it as an arcane set of rituals that no one understands and which is therefore potentially bogus, but as a legitimate branch of knowledge. Based on the way people and organisations work, it’s embedded, actionable knowledge, and it’s getting more relevant and coherent all the time. That this is a legitimate magazine is very important to us. Readers come to us because they respect Booz Allen as a firm, but also because it’s a very good magazine.”

So what do Mr Kleiner and his colleagues look for when it comes to the quality of ideas they include? Timeliness is the first key quality: good thought leadership addresses an issue that is important to people right now. Second, it has to have what Kleiner terms ‘explanatory power’, the ability to articulate the hidden patterns that drive the phenomena we see. It also has to be capable of being put into practice to produce replicable results and has to have been rigorously tested in the real world. Lastly, it needs a constituency – a group of people who are ready to hear it. He is not overly impressed by the thought leadership

produced by other firms. “A firm’s attitude to thought leadership has a lot to do with its conception of management consulting. If you treat consultants as sales people, then you need to produce just enough intellectual capital to open a client’s door, and not a smidgen more. But if you think a consultant is an adviser, then you need them to be purveyors of knowledge about the nature of organisations and the world around them. Our understanding of management is the equivalent of where medicine was before we understood the circulation of blood – there’s no unifying theory of organisations. Most management thinking is the medieval barber-surgeon – and there are plenty of Sweeney Todds out there.”

### Is it oversold?

The ‘there’s-no-such-thing-as-a-free-lunch’ philosophy applies to thought leadership as much as everything else. Clients rightly complain about articles and white papers which purport to be about new ideas but which are really subtle sales pitches. Often this takes the form of the killer last paragraph – a syndrome with which anyone who has looked at the consulting industry’s output will be familiar. Your attention has been hooked by a snappy title; the wealth of data has overcome your natural scepticism; there are some small gems of new thinking to treasure. Then what happens? The final page describes the 20-stage process the consulting firm is itching to take you through, at great expense.

But a consulting firm will invest in good thought leadership only if it thinks it will ultimately get something out of it, and it is unrealistic of managers to expect anything else. The issue, therefore, is not whether a consulting firm should view its thought leadership in such commercial terms, but how it goes about doing it.

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Terry Corby thinks he has one of the most interesting jobs in business – and he may well be right. As well as being responsible for the global marketing of Accenture’s strategy and human resources consulting practices, he is also in charge of the firm’s thought leadership marketing. “We don’t expect thought leadership to sell work,” he says, “but good thought leadership, if compelling and relevant, should yield interesting conversations with clients. In order for it to do that, we have to be sure the right content is getting to the right clients.”

This process begins with segmentation. What topics do we need a point of view on in our market? Who wants to read about them? What do they read? From research Accenture has done in conjunction with the Information Technology and Services Marketing Association, Mr Corby argues that printed material still remains important – people like it for reading on long flights, for example – but the best channel is personal briefings, when consultants take particular pieces of thought leadership directly to their clients. Part of the attraction is relevance – the consultant will only take material of interest – but a larger part is the level of interaction possible. “We found that the thing clients like best is to be able to go through some sort of diagnostic tool which has been tailored to their circumstances and which ranks them against their competitors,” says Mr Corby. “It’s an approach which also fits well with our culture. In the past, people complained that our thought leadership was very academic, but this approach tallies with our focus on delivery.”

On the basis of this research, Accenture has adopted a multi-pronged strategy. It hired a top business editor to oversee its journal, *Outlook*. It has established related channels: *Outlook Points of View*, into which shorter articles on good ideas which were still being thought through can go; and *My Outlook*, which allows people to tailor the content of the firm’s thought leadership into personalised email alerts. “We email people only if we’ve something relevant to their interests – content they have asked for,” says Mr Corby. “If we don’t have anything relevant, then we don’t email them. We’re trying to ensure this is the opposite of junk mail.”

Just because a consulting firm needs to make money from its thought leadership – directly or indirectly – does not mean it has to be aggressive about it. Indeed, the best thought leadership, where it is relevant, thought-provokingly different and well-researched, speaks volumes for a firm’s expertise.

SPS members can receive a 10% discount on *White Space 2007* through the publishers Arkimeda. For more information and ordering details go to: [www.arkimeda.com](http://www.arkimeda.com).

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