
Newcomers challenge high-end consulting business model

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Heleen Wachters (standing) and Marjon Wanders of Eden McCallum.
Peter Boer

Eden McCallum provides ex-McKinsey and ex-BCG consultants ‘for half the price’.

The three big firms McKinsey, The Boston Consulting Group and Bain have long dominated the top of the consultancy services market. Their services, surrounded by mystique, appear to be immune to competition. Many major company CEOs believe the considerable cost attached to hiring these firms is worth it. Who would query a new strategy or the need to reorganise, when the recommendations bear the McKinsey stamp?

Pressure on oligopoly

And yet, in recent years, there has been more pressure on the oligopoly of the Big Three. The planned takeover of Booz & Company by PwC, as became clear last week, indicates that the big accountancy firms have got their eyes on the top of the consultancy market. They have brought their enormous scale into play. Deloitte currently earns more revenue in strategic consultancy globally than McKinsey does.

Competition is also arriving from a different source. New firms, like the originally-British Eden McCallum, work with a different business model. The firm was only established in 2000 and has already carried out project work in 90 countries; 40 of the Fortune-500 companies are among their clients. The firm describes itself as supplying competitive quality, but with greater flexibility and at a lower price.

“The key is our network of freelance consultants, who are often trained by the Big Three,” say Heleen Wachters and Marjon Wanders. They are partners at Eden McCallum and founded the Amsterdam office in 2008. They seamlessly fit the firm’s model: both worked for McKinsey for many years. More than half of the consultants who work with Eden McCallum used to work at the Big Three.

Not hampered by the pyramid model

From the office in Amsterdam, Wachters and Wanders develop and maintain relationships with Dutch companies. They assess clients’ issues and ascertain which client resources can be leveraged to help solve them. Their “staffing team” then considers which of the consultants within the network are available and appropriate for the client.

Wachters: “We can design the solution for the client in a flexible way because we work with freelance consultants.” The teams deployed by Eden McCallum are often smaller than those at McKinsey and BCG. In an Eden McCallum project, part of the work is usually done by the company itself. “We are not hampered by the pyramid business model used by the big firms, as we do not have any trainees nor any consultants sitting on the bench. Traditional firms are focused on “sweating the assets”, but we do not need to do this,” says Wanders.

The other distinctive element is that Eden McCallum’s consultants have often spent years working in industry. Heleen Wachters herself worked as strategy director for Numico after she left McKinsey. “It ensures that our consultants take a pragmatic approach”, she says. “They don’t look for the theoretically perfect solution, they go beyond that to ensure the solution can be implemented.”

Cheaper

Eden McCallum minimises its costs not only by working with freelancers, but also by keeping overheads down. The Dutch office is located at the Zuidas in Amsterdam, but there are only seven members of staff. In London there are thirty employees. The production of presentations is outsourced, as well as research activities and data services.

As a consequence, Eden McCallum is able to work much more cheaply than the Big Three. Wachters estimates that an Eden McCallum team costs about half of what the Big Three would charge. When working with a smaller team, the cost difference is even greater. However, the higher price that McKinsey charges does bring certain advantages, says Wachters: “A large McKinsey team can

work extremely quickly and can deploy a network of offices throughout the world.”

Top women

Eden McCallum initially worked with smaller companies, but nowadays also delivers projects for bigger clients, i.e. companies with a turnover of €500 m to €5 b. Eden McCallum also does business with AEX companies, although not yet at Board level. These include projects for divisions and business units. “The AEX companies still call McKinsey for the big “quo vadis” projects”, says Wanders.

Finally, it is striking that most of the partners at Eden McCallum are women, a unique situation in the professional services world. A result of the freelance culture perhaps? Wanders: “The independent consulting model is undoubtedly attractive to women wanting to combine work and family. It allows such women to do high-impact work. However, the majority of our “talent pool” are men. In addition, the partners here work full-time.” So? “Perhaps it has something to do with the fact that Liann Eden and Dena McCallum, the two founders, are women.”

Eden McCallum

£ 23 m – The Eden McCallum turnover amounted to £ 22.9 m in 2011-12.

27% - The average turnover for the three years up to and including 2011-12 grew by 27%.

220 – Worldwide the core group consists of 220 consultants.



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