

The Big Read

When McKinsey met Uber: The gig economy comes to consulting

Many business advisers setting out independently savour the extra flexibility and creativity by **Andrew Hill**

His LinkedIn profile calls him a “social entrepreneur”. But Jonathan Petrides, 32, is as likely to be found trying out recipes for his latest start-up AllPlants, which makes plant-based freezer meals, as exploring ideas for healthcare ventures in Kenya. If asked, “What do you do?” he normally responds he is a consultant.

Mr Petrides is not alone. Above the layer of “gig economy” Uber drivers, Deliveroo couriers and TaskRabbit handymen and women, is a higher-paid, and growing stratum of “gig consultants”. These freelancing corporate advisers, often alumni of the big professional services firms or management consultancies, differ from other gig workers. They are less dependent on piecework distributed via the internet.

They often compete for projects in teams co-ordinated by intermediaries, sometimes pitching against their former employers for contracts. But they suffer some of the same insecurity, loneliness and income volatility of other freelancers — and not all can stomach the pressure.

Defining the independent consulting sector is hard; assessing its size even harder. “Consultant” is a word that is increasingly used by any freelancer — from writers-for-hire to jobbing gardeners — to validate their sometimes precarious existence.

But a survey of 251 current and 108 former independent consultants in the UK suggests both the attractions and the perils of the role, and hints at future growth. Eight out of 10 current or former freelance consultants believe independent consulting will increase in the future. Even among a smaller control group of consultants who have never tried it, three-quarters believe independent consulting will grow.

The prognosis chimes with a forecast in 2013 by Clayton Christensen, the Harvard Business School professor, and his colleagues. They predicted the disruption of established consultants as first smaller, then larger, clients start using alternatives to the big brands for all but “a core of critical work”.

It is an aggressive prediction — over-aggressive, say established consultancies — but UK official statistics show that 55,000 of 175,000 management consultants and business analysts are now self-employed. Less than half of the 29,000 people who joined this category between 2011 and 2016 were self-employed. The number of applications to join the network of independent consultants handled by Eden McCallum, the UK-based group that carried out the survey with the support of the Financial Times and researchers from Insead and London Business School, has doubled in the past five years to 1,058. Eden McCallum is one of a number of companies that now provide a framework for freelancers, vetting them and pitching for team assignments.

‘The perfect alternative’

In part this growth reflects the constant stream of people who become consultants after losing or quitting their jobs. About a fifth of staff at the biggest consultancies leave every year, according to figures cited by Prof Christensen. In the coming decade, that source will probably bulge with footloose former white-collar staff looking to fill longer working lives, and younger ones aspiring to do many jobs as part of a variegated career.

“Growth will be significant because it’s simply the perfect alternative: if you are fired and you are looking for a new job, it is easy to start on your own,” says Elco van Grotenhuis. The Dutch national became a consultant in 2007, after promising his wife he would not switch countries to follow the plastics company where he was chief executive.

Independent consulting also appears more attractive to younger and less experienced workers and business school graduates. According to the survey, under-40s spend more time on consulting work than older counterparts and are significantly less sure about how long they will stay in the role. They are much more likely to want to start their own business. They were the only age group that cited the need to fund a start-up as the top reason for taking the leap into gig consulting.

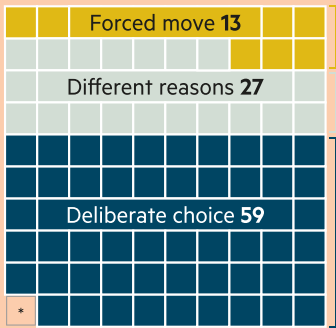
Mr Petrides was hired by McKinsey as a “business analyst”, an entry-level role. After two years, the firm gives staff in this group the opportunity to take a secondment outside McKinsey, with the option of returning at a later date.

“I sat down and thought: what’s the riskiest thing I could do, given that it’s a no-lose situation,” Mr Petrides says.

For hire Survey shows growing popularity of independent consultancy

What drives consultants to become independent?

% of practitioners



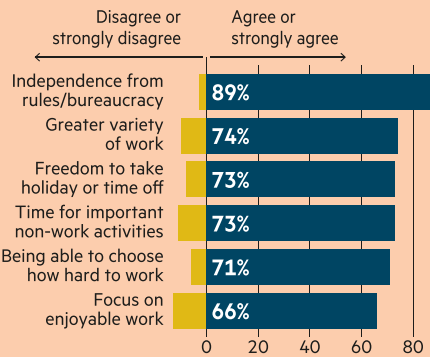
Top 5 triggers:

- Lost their job
- Company offered attractive exit package
- Wanted a career change
- Wanted more control over time and schedule
- Wanted to work with clients in a different way

\* Figures do not add up to 100 due to rounding

There is broad agreement on what is good about independent consulting...

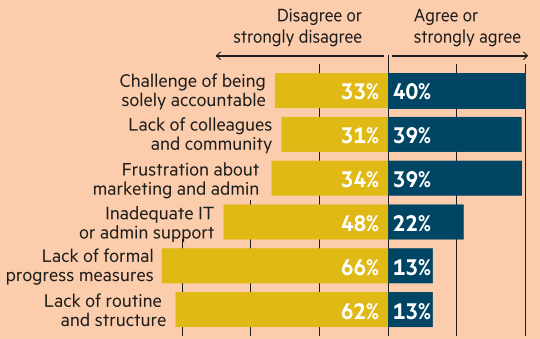
Current independent consultants (%)\*



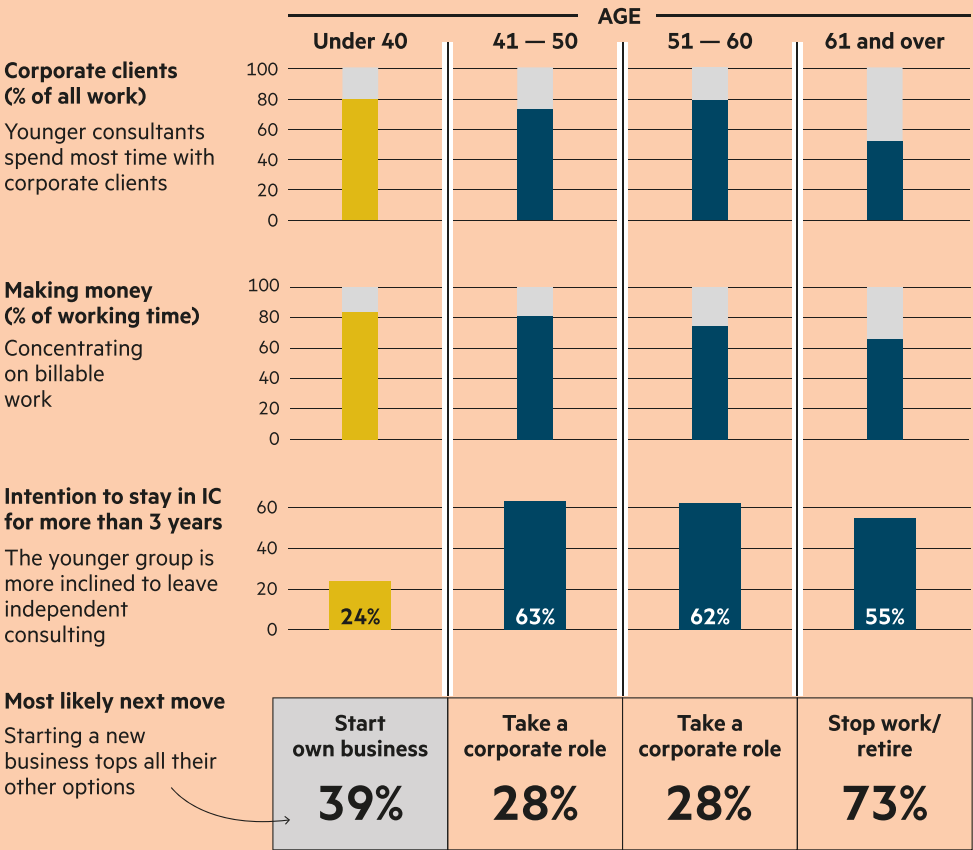
\* Excludes those stating that they neither agree nor disagree

...and a wider spread of views about the disadvantages

Current independent consultants (%)\*



Driven youth: how independent consulting could launch a new generation of start-ups



FT graphic: Alan Smith Source: Eden McCallum survey of 251 independent consultants

Case studies Three paths to a more self-sufficient career



Name Jonathan Petrides Age 32

Ex-McKinsey. Uses consulting projects to help support him as he develops social enterprises and ventures such as AllPlants, which makes plant-based freezer meals. Says independent consulting is both ‘flexible’ and ‘dependable’.



Name Homayoun Dayani-Fard Age 50

Jumped into independent consulting from Booz & Co in 2010 and enjoyed it but took a job at EY four years later, partly to gain more revenue certainty. Still an independent executive coach and could return to independent consulting.



Name Frances Mann Age 56

Quit Capgemini in 2002. In 2007-08, she went through a rough patch and thought ‘it was nice for a couple of years [but] maybe this is the end of it, or I’ve got too old, and then the phone rang and another project came along’.

Freelance consulting now provides him with “a creative outlet and income stream that’s flexible and dependable. I simply don’t have to go and commit to a full-time job: I can switch on project work and switch it off again.”

Flexibility vs volatility

It is an attitude shared by other confident younger independent consultants, according to other surveys that suggest an increased willingness among younger generations to move from company to company and try out different types of career. These workers are more likely to toggle between full-time employment and entrepreneurial opportunities, either through choice or necessity. For those who have been shaped by the brand and the training given by a large consultancy, gig consulting looks an attractive option.

Sohini Pramanick, 40, left McKinsey in 2010 to work for Richemont, the luxury company. Three years later, as a new mother, she moved into independent consulting to gain more control over the scheduling of projects. In fact, she says working independently is no more flexible when you are in mid-assignment than any corporate job. The thrill of winning a big contract single-handed is, on the other hand, incomparable.

“It had my adrenalin pumping: I don’t think I have ever felt that excited,” she says of winning a prestigious client recently. “Being able to break through was an absolute high.”

Only 5 per cent of independent consultants say they are dissatisfied with their role and, on almost every criterion, independent consultants rate themselves more satisfied than the control group of those who have never worked as freelancers.

But it is not for everyone. Three-quarters of the consultants surveyed claim they are earning more money, or the same, as before they took the leap, with a median annual income of £120,000. Directors at McKinsey, the equivalent of senior partners elsewhere, can earn more than \$1m a year but, unlike the hard-driven employees of the big consultancies, eight out of 10 independent consultants in the survey say they are

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doing billable work for less than nine months of the year.

Like gig economy workers in less well-paid jobs the main attraction of independent consulting is flexibility. But that is offset by one of its principal disadvantages: volatility. Financial security, combined with income predictability, is one of the few areas where independents’ satisfaction with their role slips below that of full-time consultants.

Homayoun Dayani-Fard, 50, says he kept enough cash to cover six months of predicted income when he worked as an independent after leaving Booz & Co, now PwC-owned Strategy&, in 2010. He knew the independent route would be more lucrative and he had grown disappointed with the Booz culture. Within four years, though, EY had enticed him back to a staff role.

“When you’re working independently, you have revenue uncertainty. You make a lot of money but sometimes you don’t make anything for a while. I had just got married and I wanted to remove some of that uncertainty,” he says. EY has given him an option to return to independent consulting, which he may take up, and it allows him to pursue an executive coaching sideline. But when he was an independent, lenders were sceptical about his lumpy income, despite his cash cushion.

The survey suggests seven “portraits” of independent consultants, including “young stars”, “family-balance seekers”, “experienced classics” (such as ex-partners who trade on their expertise), “soft landers” (gliding to retirement on the back of occasional projects) and “specialists”. Most of these groups are happy. But two groups are less content: “bridge-builders”, who want mostly to return to corporate roles, and outright “strugglers”, who miss the corporate community, and earn the same or less as when they were part of it.

Independent advisers say resilience is an essential quality for those who cut loose from employers. “I know quite a few people who couldn’t quite stomach the thought of not knowing what’s going

Speed read

**Going free** About 55,000 of 175,000 management consultants and business analysts are self-employed in the UK

**In the money** Most of those surveyed earn the same, or at least as much, as they did in full-time consultancy

**Network effect** Companies like Eden McCallum, Business Talent Group and Talmix offer support for independents

to happen and went back into something else,” says Ms Pramanick.

Frances Mann, 56, another successful consultant, went independent in 2002, having worked for Capgemini. Ms Mann says she is impressed by the calibre of independent consultants she now works with, but adds: “The energy level, skills, level of insight vary massively”.

Experience of the craft

Younger consultants could soon face a different problem: how to gain enough experience to sustain a freelance career.

David Newkirk, 64, can see the sector from the other end of the telescope. Having worked at Booz Allen Hamilton (before Booz & Co was merged), he first moved to the University of Virginia’s Darden School of Business to run its executive education programme. He has been an independent consultant since 2012.

“My goal is to work one day a week on average, to keep my brain ticking over,” he says. “You need to stay current.” He worries that if less experienced consultants start quitting the profession too soon, they will never learn what he calls the “craft” of consulting.

“The model of apprenticeship, eight years to partner and ‘up or out’: I don’t think the consultants can work that model any more . . . If there aren’t the talented people that the large firms have shed, how are you going to top up that supply [of independents]?”

Companies like Eden McCallum and Business Talent Group, a US-based company that operates a similar model, offer support for independents. Another UK-based network, Talmix, which has changed its name from MBA & Co to reflect that it draws on more than just business school alumni, operates a broader web-based platform for professionals, where clients can post projects for teams or individuals.

But such agencies provide only a partial answer to the question of how gig consultants can offset the uncertainty of freelancing. Some flimsier internet platforms even introduce another level of uncertainty — similar to that suffered by other gig workers — by dangling jobs before possible candidates then baiting their pitch to a potential client with their CV to secure the work.

The biggest firms mostly remain sceptical that teams of “mercenaries”, as one partner at a large consultancy calls them, will ever become powerful enough to win the big reorganisation projects that are the established groups’ bread and butter. “If it’s important enough for the clients, they’re going with the brands,” says a strategy partner at another professional services firm.

Some big consultants have realised that they too need to tap a network of former employees for whom the corporate routine may not be flexible enough, or use freelance specialists in areas where in-house knowledge is scarce, such as information technology.

Still, the life of a freelancer — whether a well-paid former partner or chief executive, or a paid-on-demand gig economy courier — is bound to remain precarious. Charles Handy, the veteran management thinker, examined the first wave of independent working 15 years ago in his book *The Elephant and the Flea*. Technological advances have since allowed even more freelancers to flourish. Mr Handy wrote in last year’s *The Second Curve* that for independent “fleas”, success “often comes more slowly than planned” but, for most, “freedom more than compensates for the insecurity”.

Yet as Mr Van Grotenhuis, the former chief executive, points out, some people “glorify the fact that it’s ‘freedom’”. So what advice would he offer to those preparing to leap into independent consulting? “Don’t overestimate the benefits of free time and flexibility,” he says. “When you’re on the beach, you face huge pressure to find the next challenge.”