The troubled strategic-business-advice industry: why it’s failing decision makers

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There’s rising consumer dissatisfaction with much of the “strategic-business-advice industry” – the institutions and thinkers that publish the business journals, do corporate consulting, edit the business books, teach the MBAs, perform the business research, and write the journal articles relating to strategy. The symptoms are obvious – top managers are painfully bored and frustrated with most of the strategic-business-advice industry’s output – the inscrutable, irrelevant journal articles, the flood of business books that hawk management fads, the theoretical and abstruse business school curricula, the consulting assignments that never produce results, and the academic research that is methodologically rigorous but of little or no practical value. To test this assertion, try to chat up a CEO about a journal article written by a consultant on new leadership theory or what’s new in academic circles or business books. They wince in pain, their eyes glaze over, and they start multi-tasking.

Arguably, a hodgepodge of problems is more or less shared by the industry’s four segments – teaching, publishing, consulting, and researching. Astute critics cite lack of relevance, unreliable research, coursework that doesn’t prepare students for the real world, and consulting that promotes “fixes” but doesn’t involve clients in implementation. But we think that each segment has a similar problem – its business model doesn’t adequately serve its clients. Said more plainly, there are disconnects in what the purveyors of business advice produce that prevent the delivery of what the consumers of business advice really need[1].

The general business model for the strategic-business-advice industry is flawed

The learning cycle should be achingly simple: business research gets done, communicated, disseminated, read, and used; from greater use comes greater learning, and the cycle begins again. But as with any ideal social system – for that’s what this is, really – its manifestation in the real world is dramatically different and frequently dysfunctional:

- Companies and organizations do not effectively communicate their needs to those producing original advice and research or they are “sold” services they don’t need.
- Academic researchers, seeking professional advancement, put methodological rigor and peer approval ahead of creating value for business leaders and organizations.
- B-schools reward research that peer reviewers assert is scientifically rigorous and that other specialists often cite – without measuring its usefulness to managers or organizations.
- Academic research is usually communicated exclusively to its own constituency – instead of to the world of business. And the results often take years to evolve from draft to publication. Academics who publish in practitioner-oriented journals are not rewarded by their peer group.
Consultants, though they clearly have a stake in the welfare and success of their clients, seldom face up to their inherent conflict of interest. In every engagement, consultants must learn, develop skills, and find ways to keep their clients paying their bills. Their pitch is “hire us, we have the skills and unique tools to solve your problem.” But their corporate clients plead, “teach us what we need to do and help us develop the skills so we can solve our own problems.”

Organizations are in a perfect position to learn from their own mistakes, but are so consumed with day-to-day imperatives that they often cannot capitalize on such learning or integrate it into their processes.

Thus, the people who have the time and motivation to do business research that could improve business processes (primarily business professors) are disconnected from those places and people that could benefit from their thinking. Consultants can’t disseminate client information, and they are reluctant to share proprietary knowledge about their tools and techniques. With today’s focus on being lean, most corporations don’t have the time or manpower to figure out how to improve their people or processes, and are even less inclined to publicize their core capabilities. What is the solution? Can looking at the business models in these areas shed light on what is wrong and what might be done to remedy the situation?

The business-model concept

A business model describes how a firm delivers customer value[2]. While this definition applies to a firm, it could be extended to apply to an industry or segment. Thus, we could ask, “What is the extant business model for management education in the US?” Or “What is the dominant business model for management consulting?” Particular B-schools or consulting firms might have different business models – some that might run counter to the general model.

When we take a closer look at each area in the strategic-business-advice industry, it’s obvious that some aspect of the model has broken down. Either what the industry does is not working well, or its view of who is the customer is self-serving, or the perceived value delivered is not appreciated. Fortunately, there are many exceptions – firms and institutions that are doing an exemplary job.

So let’s take a closer look at the general business model in the areas of graduate management education, consulting, research, and publication.

The management-education business model

The problem with contemporary management education is endemic. Management educators – especially those who direct the nation’s MBA programs – continue to concentrate on providing functional and specialized courses while seeming to ignore their responsibility to produce better managers. The extant management-education business model holds that to attract the best students, professors should publish more research that is cited more often, improve the school’s reputation (typically based on the research publications of its faculty, though in some polls this is changing), improve its ranking on various lists, charge yet higher fees and secure research funding, attract even better professor-researchers, and so on. Students attend those B-schools largely on the basis of the school’s and faculty’s reputation and a promise of a faster track to their careers and higher salaries. Yet the MBA degree has become a commodity, demand for it has waned, and its impact on the profession of management has declined.

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Small wonder that criticism of the typical MBA program is mounting and has reached a crescendo over the past two or three years. Pfeffer and Fong assert that MBA programs teach little of use in the real world and the MBA itself has little impact on either salary or career[3]. Mintzberg continues to indict management education on grounds that it is irrelevant. Specifically, he asserts it produces functional specialists who are unable to cope with the messy problems faced by real managers[4]. Even the AACSBI (Association to Advance Collegiate Schools of Business) questions the relevance of business school curricula in today’s global marketplace[5]. The Economist notes that “no form of education is more commercialized that management education,” and wonders if business schools are teaching the “right things[6].” DeAngelo and Zimmerman chalk up the problem to a mindless pursuit by business schools of higher ratings[7], while Bennis and O’Toole claim that business schools focus too much attention on scientific research and have forgotten that they are in the business of training professionals[8].

B-school curricula need to be redesigned to foster creativity and entrepreneurship, to engender strategic thinking and the ability to grapple with “messy” problems, and to strengthen the skills required to innovate in a global market. Equal stress must be placed upon clarifying value systems. Dual-track faculty – some who are promoted on the basis of their teaching skills and others who are recognized for their research capability – would help. Also, business schools should collaborate more with the corporations that hire their graduates.

But to improve the current business model, business schools must commit to a higher purpose and develop new measures of performance. These might include measuring what their graduates have achieved since graduation (instead of irrelevant measures such how many MBAs are awarded each year and how many obscure journal articles their faculty have published). B-schools should publicize what their graduates have achieved and accomplished, and they should solicit their suggestions and criticisms of the program. And to improve the learning experience, B-schools should require and reward a high level of teaching.

The management-consulting business model

If consultants were uniformly effective, companies would routinely use them to improve their profits and most of such initiatives would be successful. But sadly, this is not the case. Not all consultants are capable of producing a significant return on investment for their clients. In fact, some companies refuse to hire consultants because they don’t want their best practices to become widely shared, and still other companies find consultants are not worth their fees. Is something wrong with the consulting business model?

This model essentially consists of the consulting firm finding a company that has a perceived problem (or the company taking such a problem to the consultant), convincing the company they can help solve it, solving it, getting paid, and going on to the next project, which may or may not be with the same firm. Successful projects add to the consultant’s track record and experience, putting it in a stronger position to compete for future projects.

From the consultant's viewpoint, this is a good arrangement, where each engagement not only fuels future ones, but also gives the consultant more knowledge and experience. And with success come higher fees and more expertise, but often a greater dependence of the company on the consultant.

Unfortunately, many consulting projects are only band-aids that fail to add long-term value for clients. Often, clients are left to implement a set of recommendations after the consultant has long gone, with mixed results. Too often there is too little skill and knowledge transfer between consultant and client (except in projects with that specific goal), leaving the client continually dependent on consulting advice and technology. And finally, there is enormous variability in the quality of consulting advice and the expertise of consultants, primarily because of low entry barriers to the consulting profession. For example, many managers who find themselves out of work suddenly become consultants, often taking on assignments far outside their experience or expertise.
Yet for every less knowledgeable and less able consultant, the blame must fall equally on the company executive who engages such a person or firm. Many executives facing problems and challenges they are ill equipped to solve or handle are particularly gullible. They look for a quick fix, seeking a way to raise or redeem their own stature within the company. Some, led by their ego, want to venture “on the cutting edge” – whether or not the service the consultant is really offering is truly appropriate for their company’s needs. In fact, many companies do a poor job of choosing or managing consultants effectively – falling into the trap of agreeing to do what the consultant wants.

The corporate reward system exacerbates the problem. Organizations that exalt short-term earnings focus on solving short-term problems. General Motors may exemplify this mindset. Organizations that realize the value of learning how to solve problems will do better. General Electric may be the prototype for this mindset.

Consider these suggested improvements to the business model:

- Compensation for consulting engagements should be structured so that the consultant shares some of the client’s risk in achieving the benefits of the recommendations. That is, the assignment should include provisions for helping the company to implement the changes to achieve agreed upon results.

- For assignments that include advising on implementation, the consultant’s compensation should be based in part on the company’s subsequent performance, not just on delivering a set of recommendations – and these measures should be unambiguous. For example, a new strategy designed to increase revenues or develop new revenue streams should use revenues as a measure, perhaps at six-month intervals over the next two years[10].

- In every engagement, learning and new knowledge should accrue to the client’s managers and employees and not just to the consulting firm’s personnel. The only way to do this is by becoming a process consultant, i.e. leading company personnel to perform...
the requisite research and analysis, reaching a recommendation that the company then adopts. In this way, all the learning – both the procedures used and the knowledge gained – stays with the company and benefits its own people. However, many companies hire consultants as a temporary work force precisely because no one is available to do the work. While the company is taking the easy way out in the short run, it does itself a disservice in the long run; once a consultant is used in this way, the pattern is likely to be repeated many times. The blame for this practice should be placed squarely on the corporate leaders and managers.

Consulting firms, particularly the larger ones, might convene a group of CEOs annually to advise them on how to make their advice more useful to clients and their training programs more lasting, in a very real way co-creating value with their customers[11].

The research business model

While most business research is empirical, very few of the resulting conclusions turn out to be useful as a guide to action. This is because the research is not designed with managers’ needs in mind, nor is it communicated to them in journals or magazines they read.

Academic research

Academic research is done largely to qualify for tenure and to raise the reputation of the faculty at an institution. For the most part, it has become a self-referential closed system that is irrelevant to central issues of managerial or corporate performance. The research business model – or more accurately, the tenure model – calls for business professors to publish articles in journals that are peer-reviewed by other academics[12]. Critics of the system note that the more these articles reference the achievements of their peers the more likely they are to be accepted. A host of specialized peer-reviewed journals have sprung up

Results-oriented consulting[13]

Focusing on clients’ results. Bain & Company, the global business-consulting firm, was founded on the premise that consultants should deliver results, not reports, to their clients, and has developed a business model that tries to live up to that founding principle. In the early eighties, the firm developed a stock-price index to track a hypothetical portfolio of its clients’ stocks against the market. The data are audited by PriceWaterhouse and the index is published on the company’s website. While the company cannot claim credit for these results, the index is one indication that it cares enough about its clients’ results to systematically track them.

Sharing the risk. Over 15 percent of Bain’s global business is with private-equity firms, notorious for being result-oriented owners. For example, when Bain does due diligence on a deal and makes a buy recommendation, it will often co-invest alongside its private-equity client in that deal, aligning the firms’ interests directly with those of its client. For public and private clients, Bain frequently offers satisfaction guarantees, or puts a portion of its fees at risk, tied to the client’s realization of tangible results.

Implementation follow-through. Bain attempts to work collaboratively with client teams throughout the organization both to get buy-in to the proposed solution at all levels of the organization and to transfer knowledge from the consulting team to the client’s executives and managers. This helps ensure that intended results are achieved.
over the years. Too many B-schools gauge their reputation on how many articles their faculty publishes in these narrow-focus journals instead of establishing metrics that gauge utility or originality. A well-intentioned reform, measuring relevance based on how many times that research is cited by other academic journals, has made the system more insular. Worse, even business-school faculty at teaching universities are being pressured to participate in the “publish or perish” marathon.

Academics – with the exception of professors like Clay Christensen, C. K. Prahalad, Michael Porter, and others who regularly consult with corporate leaders – have little incentive to write for an executive audience. Few academics even write in the plain speaking language of practitioner-focused journals such as Harvard Business Review. The obscurantist prose of academic journals has become the international language of research. And tenure committees discount practitioner-oriented publications as not maintaining rigorous enough standards[14]. And that’s the problem: the end has become the jargon-laden research paper, valued only by academics of similar convictions, not serving as a means to influence managers or the practice of management. The academic reward system perpetuates this model.

The tenure system should place less emphasis on the number of articles published in peer-reviewed journals and more on the relevance and usefulness of original research to decision makers. And why not give credit for corporate and consulting experience that would provide an academic the experience needed to distinguish what research is practical and useful as opposed to arcane and useless?[15] Publishing in business magazines and in peer-reviewed journals that reach a practitioner audience should also be encouraged.

Consultant research

Academia is not the only producer of business research. Most major consulting firms also engage in research and in developing tools, and some publish their work in journals that are read by corporate managers, their principal clients. Larger consulting firms have their own magazines, such as The McKinsey Quarterly (McKinsey & Co.) and Strategy + Business (Booz Allen). But while such research is relevant to management and useful – or at least far more so than the output from academia – many articles (such as those that tout a proprietary tool that solves a particular problem) are primarily designed to gain new clients. One of the problems with this model is that there is no peer review system or customer rating of the output.

Corporate research

While corporations routinely perform functional research – for example in marketing and R&D – they rarely systematically investigate management or corporate issues. However, corporations stand to benefit greatly from research into successful strategies, effective decision-making, better change anticipation, and best practices for promoting innovation, developing core competences, and staying flexible and agile. To facilitate such learning, some leading corporations encourage qualified academics to have regular discussions with their best managers.

The research business model needs to shift in the direction of greater applicability and benefit to companies and other organizations (e.g. nonprofits and public agencies). Faculty should be rewarded as much for disseminating or applying that knowledge throughout the business world as for adding another traditional academic citation to their list of publications.

Corporations can help by funding more research that illuminates what ails management and corporations, and that tests what works and what doesn’t. One example of industry-funded research that led to practical outcomes is MIT Sloan’s Center for Information Systems.

“The obscurantist prose of academic journals has become the international language of research.”
Research, which has been supported by 20-30 companies on average since its founding in 1974. In turn, the Center has funded research on critical success factors, executive information systems (both published in *Harvard Business Review*), and, more recently, on architecture and IT governance (both of which resulted in books)[16]. The sponsoring companies benefited from the research because they took active roles in the research and were privy to the results much earlier than the world at large. Yet the projects appeared to be genuine partnerships in the quest for new knowledge. Altruistic? Not entirely.

The research-publication business model

Information developed in the research and consulting stages of the business-advice chain trickles slowly into the hearts and minds of managers – if it reaches them at all. B-school faculty publish much of their research in obscure academic journals. Consultants guard jealously the outcomes of their projects. As a result, firms expend many resources tackling problems that may have been solved by others years ago.

Publishers of business information compound the problem. Many journals adhere to review processes that delay publication of new information for months or years. They have been slow to adopt new technology (online accession and distribution). And journals often publish the results of research on arcane topics that have little relevance to the needs of practitioners[17]. Is it any wonder that the research-publication business model is creaking?[18]

*Harvard Business Review* may be the model journal. It is written using a minimum of jargon and targets practicing managers. It achieves this by focusing everything it does on business leaders and managers and solicits or accepts articles from thought leaders. Despite its lack of a solely academic peer review, it has high standards and a reputation second to none among executives who seek to manage strategically.

Managers are overwhelmed (and depressed) by the torrent of prose that does little to improve their ability to perform better. They need quicker access to key new developments in management, strategy, and practice, and often go to expensive conferences for that reason. Today’s search engines like Google and Yahoo don’t provide all the help they could – for example, they fail to provide meta information on which sources of information are more reliable. So can the research-publication business model be made more useful? For one, shorter publication cycles, entailing faster reviews by academics and greater use of nonacademic reviewers, will go a long way.

We also believe that more rigorous standards for what gets into print – such as relevance and usefulness – would counter the criticism that much of what is published is obscure and theoretical. But this suggestion might not have any effect on journals whose raison d’être is to

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Reaching for relevance in business research

Harvard Business School (HBS) has been at the forefront of business professional education for decades. Its MBA and other programs are designed to prepare future leaders of business as well as other professions. While its courses constantly change in response to new imperatives, its insistence on using case studies in every course remains a distinguishing feature of its programs, where the real world is brought into the classroom and is debated and discussed. Many of its faculty produce those cases.

Like other top B-Schools, HBS is closely affiliated with HBS Publishing, which not only publishes books of interest to practitioners, but also publishes *Harvard Business Review*, perhaps the preeminent business journal for business leaders and executives. It could be that the school’s rigorous case-study approach and reputation for being “real world” has encouraged its faculty to do research that is more relevant and publish it in forms that would be read by practitioners (books and practitioner journals). Fortunately, it is not alone, and faculty from more top B-schools are publishing for practitioner audiences (e.g. books for the trade and not academic textbooks). However, it is not clear whether this happens while faculty are striving for tenure or only after tenure has been achieved. But almost all faculty consult with corporations and produce business cases and books, activities that also keep its business education and research relevant to current corporate needs.
publish academic research in a particular field and appeal only to academics in that field. For those journals, their business model is working very well; their audience comprises academics in a particular field and those individuals are well served. The disconnect is that business professors do research and publish articles that ultimately do not serve practitioners.

If published articles are to reach managers and begin to make a difference, then managers should have open access to published articles and more effective ways to express opinions on what they read. Many journals, such as MIT Sloan Management Review, have websites whose archives are searchable by nonsubscribers, and whose articles are annotated. Creating an interactive experience with readers – which would do much to enhance learning and application – remains the exception rather than the rule. The magazine Fast Company, for example, has cultivated reader involvement for subscribers through its website, including polls, email newsletters, book club discussion groups, archive searches, and bonus material on current articles[20].

Summary

To a greater or lesser degree, business schools are more concerned with their own reputation than with what happens to their graduates, consultants pay more attention to their fees and stature than the welfare of their clients, and academic research – and its publication – is done far more to benefit particular academic communities than to improve the practice of management or produce better managers. And corporations continue to emphasize solving this year’s problems rather than learning how to manage more effectively over the long run. Nothing will change unless any constituency in the system – companies, managers, business schools, professors, consultants and consulting firms, and journals – feels dissatisfied enough with the way things are.

To recapitulate some specific recommendations for each of the constituents in the system:

1. Business schools:
   - Collaborate with corporations to identify critical issues and priorities as a guide for faculty research[21].
Reward faculty who publish applied research, write articles for practitioner journals, and write articles that make theoretical findings or breakthroughs understandable to corporate readers.

2. **Consultants:**
   - Become more client-centered and less sales-oriented, focusing on what the client really needs and how that differs from what the consultant has to sell.
   - Create more value by transferring process skills to clients.
   - Share more responsibility for implementation, creating value with their clients.
   - Invest in research that addresses critical business issues.

3. **Corporations:**
   - Collaborate actively with business schools in the design of curricula and the establishment of research priorities.
   - Link consultants’ compensation to results.

4. **Journal publishers:**
   - Accelerate the review process; slash the cycle time and get their information out quickly.
   - Focus on content that is useful to practitioners and decision-makers rather than just other researchers.
   - Promote online forums for dialog on important management issues.

**Notes**

1. We are aware that with every statement we make, that is true in many cases, there are also a number of exceptions. In each area, therefore, we have tried to balance what might be an overly critical stance with some examples of business models that serve corporate decision-makers well and that others might well emulate.


10. Consultants who take the company through a process where the company reaches its own decisions should not have their compensation tied to future company performance.


12. Some institutions put such weight on this that they distinguish a subset of journals (“top-tier” journals) as being the only ones that count for tenure consideration.


14. Confirming the notion that many B-schools still view business as a discipline supported by scientific research – see Warren G. Bennis and James O’Toole, op. cit.

15. B-schools by and large will employ only PhDs as professors, arguably because they are trained to do research. Yet they go to considerable lengths not to hire former executives as professors – people who have “been there and done that” – and who could be first-rate teachers and teach more relevant courses. For a professional school, it would seem that executives have as to offer students much as or more than PhDs.


17. In fact, academic journals may constitute the only kind of publication that reveres its authors more than its readers.

18. Five months ago the authors of this article submitted a 2,500-word essay to a leading academic journal and, at the time of going to press for this article, they have yet to hear from the editor.


21. Bennis and O’Toole, op. cit., cite the law and dental professions as examples of research and knowledge-creation addressing issues of concern to practitioners. To the extent that research can lead what occurs in practice, just as some new products create new demand, that is also desirable.

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