

Generative AI & The Management Consulting Industry

Introduction



The Launch of ChatGPT

ChatGPT and other generative AI technologies have given millions of people firsthand experience with the power of advanced AI and greatly raised interest in AI among the public, business leaders, government, and investors.

Launched in November 2022, ChatGPT surpassed one million users in just five days and 100 million monthly active users in two months, by far the fastest a company has ever reached these levels, and usage continues to grow. There were 1.8 billion visits to ChatGPT in April 2023, up from 152 million in November 2022.

ChatGPT and other applications have surprised and delighted users with their generalized capabilities, ability to generate interesting, human-like output, and ability to interact using natural language, images, audio, and video.

A photograph of a modern workspace. In the foreground, a large computer monitor sits on a wooden desk. The monitor displays a complex financial or data analysis software interface. The top half of the screen features a large area chart with multiple overlapping lines in shades of blue, orange, and yellow, set against a dark background with a grid. Below this, the screen is divided into several smaller panels. On the left, there's a list of items, possibly stocks or assets, with associated numerical values. In the center, there's a smaller line chart. On the right, there's a panel with multiple horizontal bars or a different type of chart. A desk lamp with a metallic finish is positioned to the right of the monitor, casting a soft glow. A portion of a white keyboard is visible in the bottom right corner of the frame. The background is slightly blurred, showing a window with greenery outside.

Qatalyst has been studying the application of AI.

During the past five months, our senior staff, including myself, our Managing Partner, CTO, and Head of Research, have spent many hours researching AI and testing ChatGPT 3.5 and 4. We've applied it across a range of use cases such as summarizing meeting transcriptions, data coding and analysis, literature reviews, report writing, editing, ideation, software coding and automating business processes through the development of in-house apps.

We have explored a wide range of apps and agents and had the good fortune of concurrently working on two consulting assignments focused on AI at the federal and provincial levels. While this research has helped us better understand some of AI's limitations, we have continued to be amazed by the capabilities of ChatGPT and how much more effective 4 is than 3.5. It is, at minimum, a productivity tool like no other; it has applications and capabilities that go way beyond what we imagined would have arrived this soon.

The Potential Impact on Management Consulting

Even if progress on large language models (LLMs) stopped at the level of ChatGPT 4, they would still fundamentally change the business of management consulting. However, progress will not stop, and we can already see that software and tooling built on top of large language models will greatly magnify their usability and power. During this series, we will talk about some of the major ways in which AI will soon be applied in our industry.

A major wave is about to hit our industry, and we had better prepare for it.



The impact of AI will be significant.

A [working paper](#) released by OpenAI in March found that 80% of the U.S. workforce could have at least 10% of their work tasks affected by the introduction of LLMs, including 19% of workers that may see at least 50% of their tasks impacted.

Much of the management consulting industry is in this 19%. Professional service firms and white-collar jobs will be particularly vulnerable; a [report](#) by Goldman Sachs Economics Research estimates that 44% of employment in legal services could be automated in the US and Europe, while 35% of business and financial operations and 32% of management occupations could be automated.

As companies prepare for this future, there have been some high-profile hiring freezes and even layoffs; in early May, IBM reportedly paused hiring for jobs that could be replaced by AI.



Why Are We Producing a Series of Articles on AI and the Management Consulting Industry?

We will be posting a series of short articles on AI and the management consulting industry to share some of what we have learned. Our objective is to stimulate discussions with our clients, associates, and even our competitors in the industry to help us and others prepare for this coming wave.





What does Qatalyst want to find out?

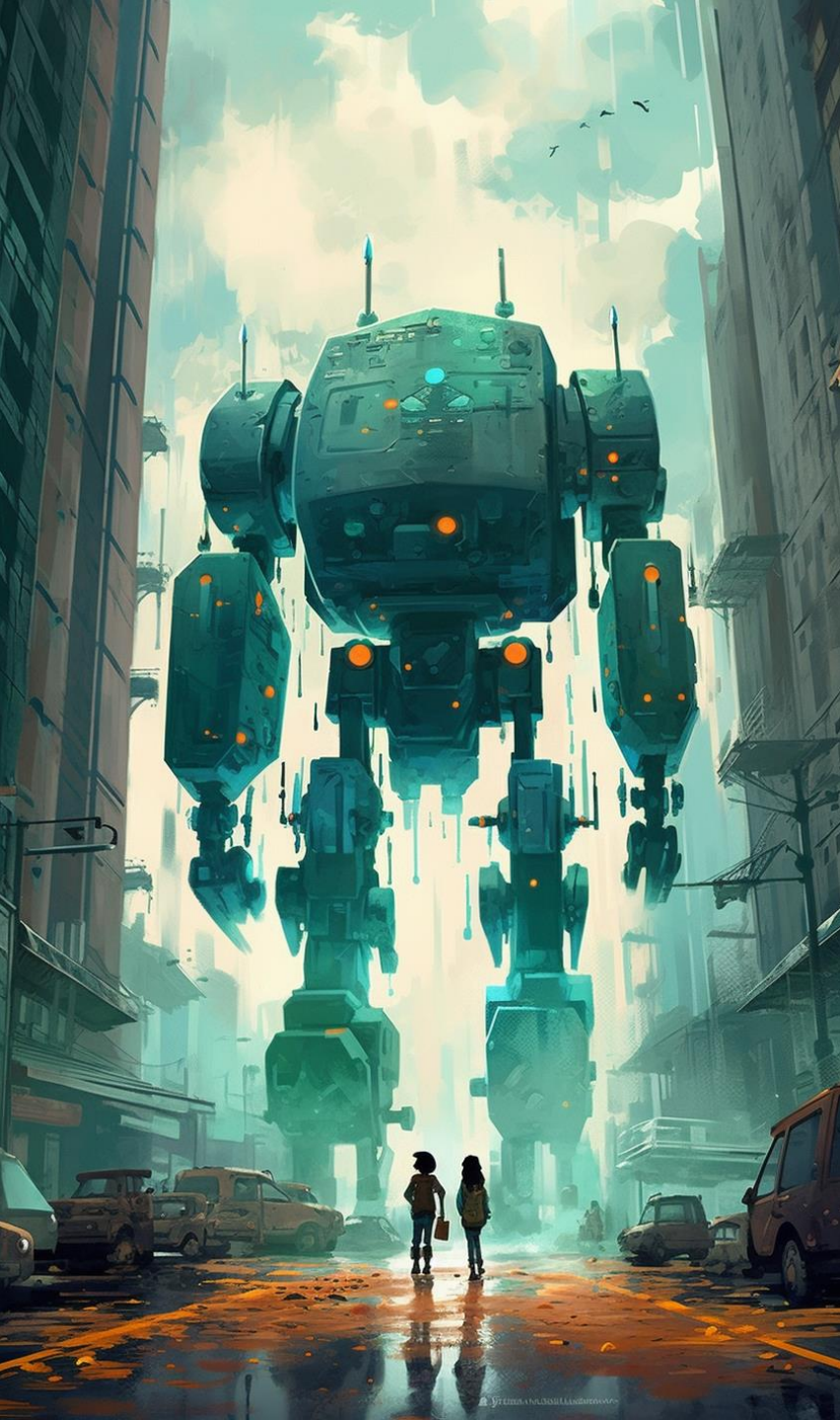
The key questions for us are how should we be applying AI in our business, and do we still have the right business model, given the changing environment? To give you a little background, the Qatalyst Research Group was designed to scale quickly, and we have. We accomplished that by developing a unique consulting model. Most firms consist primarily of consultants. We recognized that attracting or developing an experienced consulting team was going to be our greatest constraint to growth.



Our model leverages in-house consulting talent.

- **We surround consultants with functional experts** in the areas of sales (proposal writing), marketing, research, and administration. By reducing their responsibilities in these areas, our consultants spend more time actually consulting.
- **We make significant investments in developing and adopting new technologies.** Our in-house development staff builds research, analytical tools, and project management tools for our consulting teams.
- **We continue to expand our extensive network of associates** (outside consultants) with whom we work on assignments.

You can visit gatalyst.ca to find out more.



You will also need to answer some difficult questions.

To assess that, we need to better understand what impact generative AI will have on the demand for management consulting services (e.g., what will clients now be able to do in-house and what will they contract out), the supply side (e.g., is AI likely to improve the ability of smaller firms and individuals to compete or will it convey an even greater advantage to larger firms), the consulting skills that will be required, how firms will compete and how businesses and business processes should be structured.

We hope that, by sharing what we know with you, we can spark a conversation that will help all of us better understand and prepare for the impact that AI will have on the management consulting industry.



Our Plan

- Co-write, with ChatGPT 4, a series of notes on AI and the consulting industry.
- Ask readers to complete an online questionnaire to give their perceptions of how AI will impact consulting services.
- Summarize the results with ChatGPT 4's assistance and share the findings.
- Stage one or more group sessions to discuss the findings and how LLMs will impact the demand for and supply of management consulting services.

Review Our Upcoming Articles & Participate in the Discussion



Our Upcoming Articles

What are the leading use cases for AI in management consulting and factors that may slow adoption?

What can we learn from modern technological advances (e.g., the PC, Windows, Internet, Mobile, and Cloud)?

What can we learn from previous major technological revolutions over the past 250 years?

What impacts can we expect generative AI to have on the management consulting industry?

What are the privacy, intellectual property, safety and reliability concerns and how do we address them?

How can firms respond effectively to these changes in the short-to-medium term?





Qatalyst and AI

Qatalyst strives to make meaningful change by supporting our clients in their efforts to address the world's major challenges.

We offer our clients impact measurement & management services, evaluation & performance measurement, as well as strategy and program designs.

We do all this while harnessing the power of artificial intelligence. We continuously adopt leading-edge AI services into our daily processes and build our own software on top of powerful AI APIs.

To learn more about our services, visit qatalyst.ca/services

All images in this article were produced by Midjourney's generative AI.