A SURVIVAL GUIDE FOR CONSULTING FIRMS: RESPONDING TO THE THREAT POSED BY AI

The Second in a Two Part Series

A Survival Guide for Consulting Firms in the Age of AI

INTRODUCTION

In Part 1, we showed why AI will increase competition, compress timelines, and push fees down. In this post, we outline how consultants can turn threat into opportunity. Survival means more than just adopting new tech - it's about reinventing how we deliver value and, lever AI as a catalyst rather than a competitor.

That will require:

1. **Finding Your Niches That AI Can't Touch**

2. **Clearly Defining and Prioritizing Your Use Cases**

3. **Adapting Commercial AI Tools and Developing Your Own**

4. **Reshaping Your Team for the AI Era**

5. **Working With Others on AI**

6. **Repeating These Steps as AI and Markets Continue to Evolve**

1. FINDING YOUR NICHES THAT AI CAN'T TOUCH

Our traditional moats are fading. AI will often be faster, nimbler, and more informed. We must identify niches where our consultants - or consultants + AI - retain an edge...

… These are areas where

- Personal involvement is required or beneficial;
- Specialized knowledge not available through AI is required;
- Human validation is critical with low margin for error;
- Functions are not yet automated;
- Novel issues or new approaches need to be addressed.

Surviving firms will redefine client value - selling solutions, outcomes, and AI-enhanced expertise, not hours.

In the short term, we must show we use AI better than clients and competitors, validating data and minimizing hallucinations.

In the long term, we must build defensible value-added services.

TWO VIABLE POSITIONING APPROACHES ARE EMERGING:

Deep Specialization (Vertical Focus) – positioning as the go-to AI firm in a domain or function (e.g., healthcare, strategy). By concentrating expertise, tools, and data, the firm becomes the top interpreter of AI output, delivering superior niche results.

Broad Integrator (Horizontal Advantage) – Firms leverage scale to deliver end-to-end AI services across industries. They partner with tech providers and use adaptable horizontal tools for any client. This "one-stop shop" strategy assures clients the firm can handle everything from AI strategy to implementation through enterprise-grade platforms.

At Qatalyst, we do both. We focus on key verticals (AI innovation, performance measurement, economic and labour development, and programming strategy) and leverage AI and consultant networks to deliver end-to-end services from strategy to design, implementation, and tracking.

2. CLEARLY DEFINING AND PRIORITIZING YOUR USE CASES

Consulting assignments involve tasks ranging from work planning and data analysis to preparing deliverables and supporting implementation. Marketing, whether direct or through RFPs, also requires multiple steps.

The key is to identify priority AI use cases. While smaller firms may face challenges with varied work and limited specialization, defining use cases is still critical. Focus on repeatable applications in client-facing work (presentations, reports) and internal tasks (research, coding).
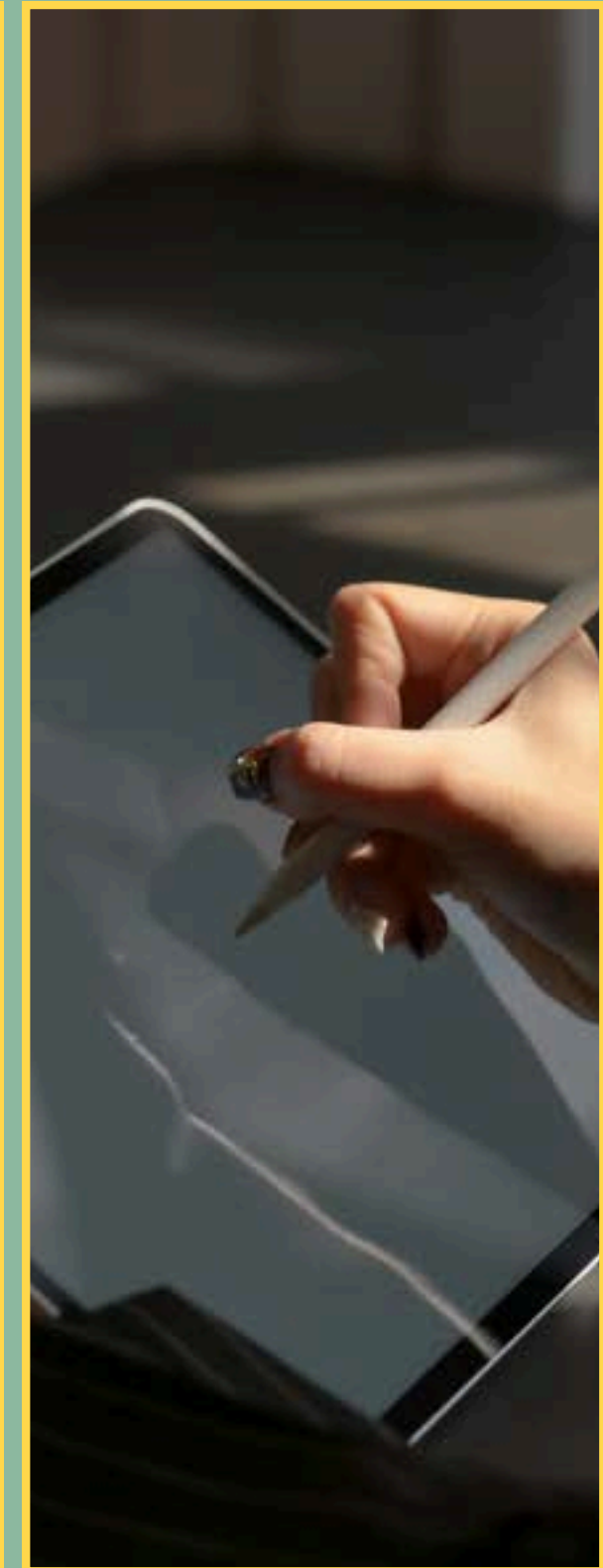
3. ADAPTING COMMERCIAL AI TOOLS AND DEVELOPING YOUR OWN

Many firms start with off-the-shelf AI tools for quick wins, then move to vertical solutions tailored to proprietary processes. At Qatalyst, the real productivity gains came from building our own tools - customized, data-trained, and fully integrated into our platform.

Our approach prioritizes high-impact use cases, develops MVPs, tests and refines them continuously, and embeds them into workflows. We've created tools to harvest and assess RFPs, share them with teams, draft proposals using past projects and profiles, conduct literature reviews, and analyze surveys, interviews, and focus groups. Next, we are building tools for workplans, reports, presentations, and other deliverables - experience that now allows us to develop AI-integrated solutions for other organizations.

Off-the-shelf tools offer reliability and updates but are often narrow, costly, and hard to adapt or train on our data. Our in-house team has made custom development increasingly efficient, a trend expected to continue with advances like vibe coding and agentic AI.

4. RESHAPING YOUR TEAM FOR THE AI ERA

Capturing AI's full benefits requires understanding what it enables us to do more effectively or cost-efficiently than before. The greatest gains come from reengineering processes, from designing workplans and questionnaires to producing deliverables.

Reengineering involves change management, large-scale reskilling, new roles (e.g., data curation, knowledge management, context engineering, output validation), and revised workflows. For instance, workflows are shifting from performing in-depth literature reviews and analyses to verifying and contextualizing AI-generated insights. New policies for quality control, bias management, and client transparency are essential. Consulting workflows can now be AI-embedded at every stage, with human oversight at critical points.

5. WORKING WITH OTHERS ON AI

It is challenging for any organization to keep pace with AI's rapid development. We realized scaling our AI team works best through collaboration, sometimes sharing costs and benefits.

We have partnered with software developers and consulting firms to develop, test, and apply our tools, using these efforts to build capabilities for delivering AI services to clients.
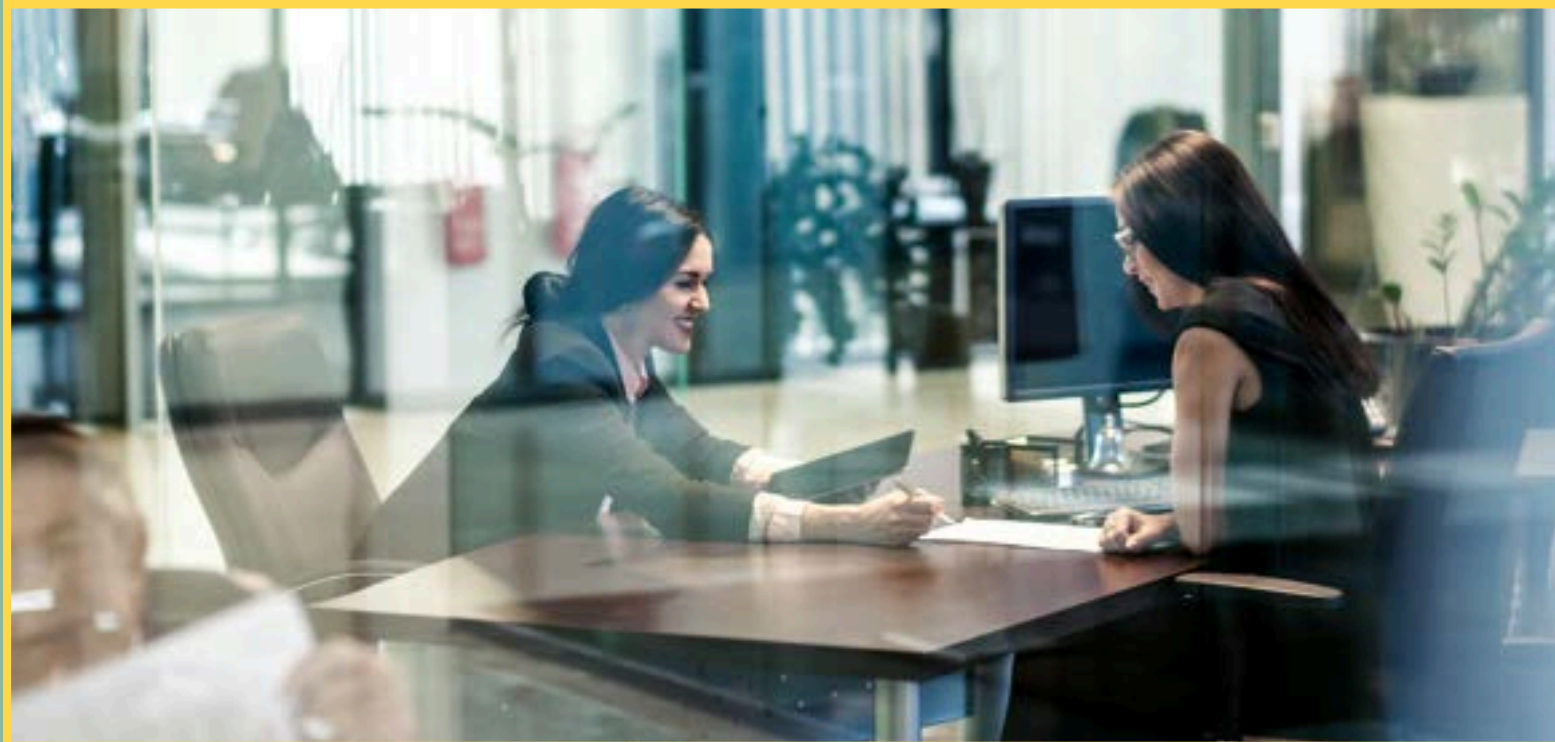
6. REPEATING THESE STEPS AS AI AND MARKETS CONTINUE TO EVOLVE

Consulting firms that thrive by 2030 will put AI at their core. Success will hinge on strategic foresight, process innovation, tech integration, and client-focused learning. Just as embracing the internet drove growth in the 2000s, adopting AI today will shape tomorrow's leaders.

The next five years will be challenging but full of opportunity for firms with the right strategies and mindset.

RESPONDING TO THE TREATS OUTLINED IN PART 1

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The first post in this series, Beyond the Hype – The Threat AI Poses for Consulting Firms, highlighted major shifts affecting consulting. The table below lists these shifts and suggested consultant responses.

Shift or Threats from Part 1	Examples of Responses
Rapid advancement of AI capabilities	Monitor AI developments (test new LLM models and apps) | Maintain an evergreen AI model (quarterly review of use cases, tools, governance) | Collaborate with organizations on AI applications
Potential to automate many consulting tasks	Conduct an AI readiness audit | Identify and prioritize 6–8 high-impact use cases | Analyze and refine workflows for priority cases | Develop and integrate customized AI tools | Implement tools, document processes, and train staff | Monitor implementation and measure impact
Overcoming constraining factors	Enhance data quality and readiness | Set AI, privacy, and client transparency policies | Define guardrails: citations, validation, and security to manage bias and hallucinations | Consider hosting a local LLM to protect privacy
Clients demanded and increasing adoption by competitors	Clearly define 3–5 niches | Clarify value propositions | Differentiate from competitors and clients' internal capabilities
Increasing competition with declining fees and margins	Own differentiated assets (data, methods, mini-apps) | Leverage domain expertise and capabilities | Revisit services and pricing (e.g., outcomes-based, AI-assisted products) | Expand services and deliverables
The need to redefine consulting roles and skills	Reengineer processes and workflows, integrating AI and hybrid roles | Move humans to higher-value tasks (strategy, client interaction, novel issues) | Streamline data validation and synthesis | Update hiring plans and criteria | Foster continuous learning

CONCLUSION

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AI shifts value and accelerates work. Winners design around it: pick human-judgment niches, embed AI, own key pieces, reshape teams, and align services to outcomes. Learn quarterly. Let AI multiply impact, not crush margins.

If you are interested in finding out more:

- This fall, we're hosting webinars for consultants and researchers on using AI to enhance services and operations. If you'd like an invite, let us know.
- Prefer a quick one-on-one to discuss your operations? Tell us.
- Later this year, we'll launch an online service to assess AI readiness, develop strategies, and support AI adoption and integration. We can help.

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CONSULTING EXPERTISE, AMPLIFIED BY AI
Blending human insight and advanced technology for faster, more effective results.

At Qatalyst Research Group, we are integrating AI into every aspect of our practice —from sales to research, analysis, and output generation. Combining senior consulting expertise, an in-house development team, and a suite of AI tools, we can assist non-profits, government and other firms in integrating AI into their operations. We offer end-to-end AI transformation services that meet organizations where they are in their digital journey.

Go to https://qatalyst.ca/ or reach out to Sushant Tare at sushant.tare@qatalyst-research.ca to find out more about how we might work together.

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