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

QATALYST
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The Second in a Two Part Series

A Survival Guide for Consulting Firms in the Age of AI

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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

The points are discussed in the pages below:

1   Finding Your Niches That AI Can't Touch

Our traditional moats are disappearing. In many respects, AI will be much faster, nimbler and more knowledgeable than we are. We need to define those niches where our consultants or our consultants + AI continue to have an advantage, such as areas where:

- Personal involvement is required or beneficial;
- Specialized knowledge (e.g. domain expertise or local knowledge) is required and not available through AI;
- The need for human validation is greatest (and the margin for error is low);
- Functions have not been automated (some of which may not even exist today);
- Novel issues need to be addressed and/or new services or approaches are needed.

Surviving firms will rethink what value they provide to clients. Rather than selling hours, we'll sell solutions, outcomes, insight, and expertise enhanced by AI. In the short-term, we need to position ourselves as being better able than our clients and our competitors to leverage the capabilities and mitigate the weaknesses of AI (e.g. being able to validate the data and reduce hallucinations). In the long-term, we need to create defensible value-added services.

Two viable positioning approaches are emerging:

- ***Deep Specialization (Vertical Focus)*** – becoming the go-to firm for a particular domain or function with AI. For instance, a consulting boutique might focus only on a specific sector (e.g. heath care) or function (strategy or impact assessment), gaining unmatched data and experience there. A strategy firm might position itself as the ultimate interpreter of AI-generated data – turning raw algorithmic output into business strategy. This *vertical* positioning means the firm's AI tools, processes, data assets, and team expertise are finely tuned, yielding superior results in that niche.

- ***Broad Integrator (Horizontal Advantage)*** – alternatively, firms may leverage breadth or scale to offer end-to-end AI-enabled services across all industries. They partner with tech providers or change managers and maintain an arsenal of horizontal AI tools that can be customized for any client. This is the "one-stop shop" strategy: clients know the firm can tackle everything from AI strategy to implementation, because they've invested in enterprise-grade platforms.

At Qatalyst, we do a bit of both. We target several key verticals (e.g., AI innovation, evaluation and performance measurement, economic and labour market development, and programming strategy) and leverage AI and our relationships with other consultants to be able to deliver a full range of services from strategy development to design, implementation and performance tracking across these areas.

2   Clearly Defining and Prioritizing Your Use Cases

Consulting assignments consist of a series of tasks, which could range from designing a work plan and collecting, compiling, and analyzing data to preparing deliverables and assisting with implementation. Marketing itself, whether direct marketing or responding to RFPs, also involves a series of tasks.

An important first step is to review the processes involved in your practice and determine which would benefit most from incorporating AI (priority use cases). Some smaller firms will be challenged in finding appropriate use cases because their processes vary widely across assignments (a lack of standardization) and their lack of specialization (one person is involved in many tasks). However, it is still important to develop and refine your use cases for the application of AI. Look for repeatable opportunities to embed AI into your front-facing activities (e.g., client-facing work like presentations, brainstorming and reporting writing) as well as back-stage tasks (e.g., research, qualitative coding, and literature reviews).

3   Adapting Commercial AI Tools and Developing

Many firms start with off-the-shelf horizontal AI tools for quick wins and then invest in vertical solutions (i.e., tools that can tailored to your operation) focused on repeatable processes where you have proprietary data or methodologies. At Qatalyst, the real boost in productivity came from the development of our own tools, which we customized to our needs and processes, trained on our data, and integrated into our platform.

Our process has been to prioritize potential use cases; develop Minimal Viable Products (MVPs); test, validate, and refine those tools over time (a process that never ends, in light of ongoing advancements in AI); and embed those tools into our processes. Qatalyst developed tools to harvest RFPs from bidding sites, assess them, share them with team members and associates, develop detailed proposal outlines, and prepare first drafts of our proposals drawing from the RFP, team profiles, and past methodologies and projects. We developed specialized integrated tools to conduct literature reviews as well as analyze and summarize data sources including surveys, interviews and focus groups. We are now preparing tools to assist us in preparing workplans, reports, presentations and other deliverables. That experience enabled us to start developing AI-integrated tools for other organizations.

An advantage of off-the-shelf products is that they are commercial grade and updated on a regular basis. We have tested a wide variety of off-the-shelf products but have found that, in most cases, developing our own tools has been more effective. The disadvantage is that they tend to be narrowly defined point solutions each focused on a specific function (e.g. quantitative analysis), relatively expensive when you consider the number of tools and seats that are needed, and not easily adaptable to our internal process or trainable on our data. We have established our own in-house development team to facilitate creation of our own tools. As we improved our skills and knowledge, the cost of development has been declining. Those costs will continue to decline as the capabilities such as vibe coding and agentic AI take hold.

4   Reshaping Your Team for the AI Era

Capturing the full benefit of AI has required taking a step back and understanding what AI may allow us to do that we could not previously do (at least not cost-effectively) or do in more effective ways than we have in the past. The greatest benefits of AI have come from reengineering our processes (e.g., from the design and administration of our workplans and questionnaires to the production of deliverables).

Reengineering has required change management, reskilling our researchers and consultants at scale, defining new roles (e.g. data curation, knowledge management, context engineering, or output validation), and revising our workflows. For example, our workflows are gradually shifting away from undertaking in-depth literature reviews and data analysis towards verifying, refining, and contextualizing AI-generated insights. New policies and practices have been needed regarding quality control, bias management, and client engagement (e.g., being transparent about when and how AI was used in an analysis). We have found that consulting workflows can become AI-embedded at every stage, with human oversight wrapping around those workflows at critical junctures.

5   Working With Others on AI

It is very difficult for any organization to keep up with the rapid speed at which the capabilities of AI are developing. A key development for us was recognizing that we could best scale our AI development team by working with others and, at times, sharing the benefits and costs with them.

We have worked with other firms, both software developers and consulting firms, in the development, testing and use of our tools. We used the development of our own tools to develop capabilities to deliver AI-related services and tools to our clients.

6   Repeating These Steps as AI and Markets

We believe that consulting firms which prosper in 2030 will be those that **reinvent themselves with AI at their core**. Firms can still provide tremendous value, but how they do so will be dramatically different. The keys to survival will be strategic foresight, process innovation, tech integration, and continuous learning with a client-centric focus. Just as firms that embraced the internet thrived in the 2000s, those that embrace AI today will lead the consulting industry of tomorrow. The next five years will be challenging but exciting; firms that adopt the right strategies and mindset can be among the winners in the next chapter of consulting.

Responding To the Threats Outlined in Part 1

The first post in this series, *Beyond the Hype – The Threat AI Poses for Consulting Firms,* outlined a series of major shift or threats impacting the consulting industry. This following table identifies those shifts and provides examples of actions that consultants can take in response to each.

Responding to the Changes Impacting the Consulting Industry

Shift or Threats from Part 1	Examples of Responses
Rapid advancement of AI capabilities	• Keep aware of ongoing developments in AI (regular testing of new LLM models and apps) • Adopt an "evergreen" AI operating model (e.g., review use cases, existing and potential tooling, and governance quarterly) • Work with other organizations on potential AI applications and developments
Potential to automate many consulting tasks	• Conduct an AI audit or review to assess readiness and opportunities to integrate AI • Clearly define and prioritize 6-8 potential use cases based on potential impact, feasibility, and risk • Analyze the workflows for priority cases and refine the processes • Adopt, adapt and develop AI tools (customized to your needs and processes, trained on your data, and integrated into a common platform) • Implement the results (document the refined processes and procedures, provide access to the tools, and deliver staff training) • Track implementation and assess impacts in terms of cycle-time, QA and effectiveness
Overcoming constraining factors	• Improve the readiness and quality of your data • Establish formal policies regarding your use of AI, data privacy, and transparency with clients • Establish clear guardrails: citation requirements, human validation checkpoints, and data security language/establish processes to control for key issues such as hallucinations and bias • Consider hosting a small LLM model on your own server to address privacy concerns
Clients demanded and increasing adoption by competitors	• Clearly define your niches (e.g. 3 to 5) • Establish clear value propositions • Look to differentiate your capabilities from those of your competition and the from internal capabilities of your clients
Increasing competition with	• Own differentiated assets (niche data, methods, and vertical mini-apps) • Leverage domain specific knowledge, data and capabilities • Consider restructuring services and pricing (e.g. moving from hours to outcomes-based pricing, productize "AI-assisted" offers, etc.)

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Shift or Threats from Part 1	Examples of Responses
declining fees and margins	• Broaden the range of services and types of deliverables offered
The need to redefine consulting roles and skills	• Re-engineer your business processes and workflows, integrating AI and developing new hybrid roles • Shift humans up the value-added curve (e.g., to higher-level functions, strategic thinking, client interaction and novel issues) • Refine processes for data validation and synthesis • Adjust your hiring plans and criteria • Support continuous learning

Conclusion

AI is compressing timelines, expanding capacity, and changing where humans create value. Firms that thrive won't out-muscle algorithms; they will out-design the system around them. Start by choosing niches where human judgment matters, wiring AI into your backbone, owning the right components, reshaping the team, and developing partners. Repackage services around outcomes and run a quarterly cadence so the firm keeps learning as models evolve. Do this, and AI becomes a force multiplier—not a margin crusher.

If you are interested in finding out more:

- This fall, we're hosting webinars for consultants and researchers on how you can leverage AI to strengthen your services and operations. If you'd like an invite, tell us you're interested and we'll share the details.
- If you prefer a quick one-on-one to talk through your operation, let us know that as well.
- Later this year, we will be launching an online service where you can assess your organization's AI readiness and adoption and develop a strategy to improve your performance. We can provide services to help you review your operations, prioritize use cases, and develop, adapt and integrate the AI tools you need.

If you are interested, contract Sushant Tare at sushant.tare@qatalyst-research.ca.