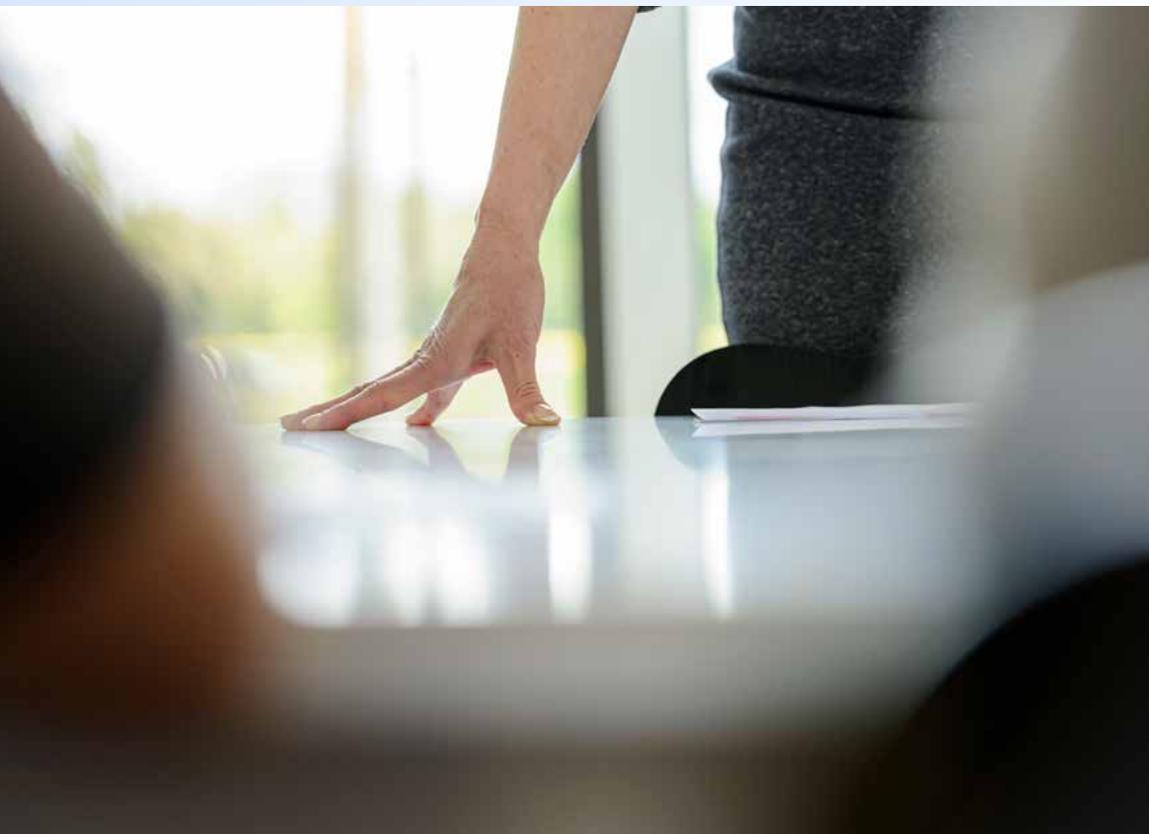


## WHY CONSULTANCY MATTERS - A HISTORICAL PERSPECTIVE



**Management consultancy has often been a target of criticism, with popular brickbats including eye-watering fees, huge contracts, secretive ways of working and an apparent ability to make money out of any crisis.**

However, most decision-makers and executives recognize the value that the best management consultants provide, and the industry continues to thrive, with compound annual growth rates in excess of 4% per annum over the last 10 years. The global management consulting

***“WHO SAYS IT CAN’T BE DONE?”  
– THE RHETORICAL QUESTION  
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market today is approximately \$150 billion, and most leading firms have survived the COVID-19 crisis remarkably well.

Yet, what is the exact nature of management consultancy’s value? Does consulting merely provide a similar service to that of the accountancy or legal profession? Or does it provide something greater than that – a different type of value?

In this article, we explore some of the ways management consultancy has helped to shape the world we live in today, as illustrated by the history of ADL. As the world’s first management and research consultancy, ADL pioneered many of the approaches that enabled the industry to develop, repeatedly breaking new ground throughout its 135-year history.



**ROGER BURRILL GRIFFIN**

## THE BIRTH OF MANAGEMENT CONSULTING

Management consulting was born in October 1886, when Arthur Dehon Little, a gifted 23-year-old chemist and something of a philosopher, founded with his friend and colleague, Roger Griffin, the firm that would become ADL. This is how he pitched their unique service:



**ARTHUR DEHON LITTLE**

“Allow us to call your attention to the CHEMICAL LABORATORY we have established at No. 103 Milk Street, Boston... Mr. Griffin and Mr. Little have had several years’ experience in the development of chemical processes on the commercial scale and are prepared to undertake, either in their own laboratory or on the spot, investigations for the improvement of processes and the perfection of products.”



FIRST ADL ADVERT - 1886

In the late 19th century, the industrial revolution was still in its infancy and research was largely seen as an academic pursuit. Yet, Arthur saw the huge potential of what would become “applied research”, and preached his message about its benefits for industry and society with a missionary zeal. In 1905, he wrote that his firm’s research applied itself to:

“Every waste that is prevented, or turned to profit, every problem solved, and every more effective process which makes for better living in the material sense and for cleaner and more wholesome living in the higher sense.”

These words still have a remarkable resonance today as we continue to embrace technological innovation to help address the world’s economic, social, health and environmental challenges.

The early years of the firm’s pioneering consulting activities are well documented, with a succession of groundbreaking innovations in its first 25 years.

One example is the development of viscose, which resulted in the creation of non-flammable motion picture film (the rights to which were sold to Eastman-Kodak) and acetate fiber – artificial silk. This later led to one of the most well-



THE SILK PURSE WHICH CHEMISTRY MADE FROM SOWS’ EARS IN THE LABORATORY OF ARTHUR D. LITTLE, INC.

known events in the firm’s history, when in 1921, ADL famously made a silk purse out of a sow’s ear (actually, out of 100 pounds of sow’s ears, rendered and chemically treated). The silk purse is today part of the Smithsonian Institute collection.

“Who says it can’t be done?” – the rhetorical question used to promote the project – became part of the firm’s DNA and has remained so ever since.

## HELPING TO SHAPE THE INDUSTRIAL ERA

As early as 1908, ADL pioneered arguably the first ever true business management consulting assignment when, shortly after the introduction of the Model T, the world’s first mass-produced car, it helped the newly formed General Motors organize its first central engineering laboratory.

In the first half of the 20th century, the innovations continued apace:

- In 1920, ADL developed a series of petroleum-refining innovations and anti-knock gasoline.
- In 1931, ADL patented the production process for fiberglass and led much of the early development work with leading players including Owens-Corning.
- In 1949, ADL was an early pioneer of operations research, applying empirical techniques to marketing and other management-related issues.
- In 1951, ADL invented the first logistics control system, which became the basis of container shipping and truck transportation management used to this day.

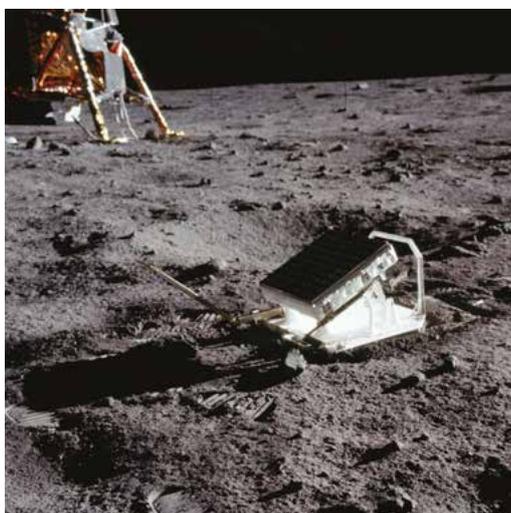
By the 1960s, ADL had grown to around 1,600 people and expanded beyond the USA and across Europe, with offices in cities including Zurich, Brussels, London, Paris and Wiesbaden. The 1970s and 1980s would bring further expansion into Asia, the Middle East and Latin America.

ADL continued to pioneer technological innovations that changed the world:

During the moon race of the late 1960s, the company partnered with NASA, designing five key experiments and developing innovations for astronaut protection. One of them, the laser ranging reflector, is still used to this day for measuring the precise distance between Earth and the Moon.

In 1968, ADL designed the NASDAQ stock exchange systems for London and Tokyo. In 1975, ADL patented a more efficient and economically viable scroll compressor, ultimately bringing refrigeration to the masses.

ADL was one of the early leaders in modern telecoms development in the pre-digital era, starting in 1974 with the Kingdom of Saudi Arabia, for which ADL developed one of the world's most advanced telecoms systems of its time. In 1980, ADL produced the European Commission's first white paper on telecommunications deregulation, having completed the first worldwide telecommunications database on phones installed, markets, technical trends, services and regulatory information.



**APOLLO 11 LUNAR LASER RANGING EXPERIMENT**



**PETER GLASER, THE FATHER OF THE SOLAR POWER SATELLITE CONCEPT IN 1973**

From the 1960s, ADL pioneered new approaches for pollution control and environmental protection. By the late 1970s, ADL led the world in environmental auditing, which, for the first time, provided a practical, systematic and objective way for industrial sites to understand and minimize their environmental impacts. The firm subsequently built up a strong global capability in managing safety and industrial hygiene, helping to put in place robust programs and controls to manage safety and health risks across many of the world's largest corporations.

In 1961, ADL launched the first management education program to focus exclusively on training general managers from developing countries. Originally known as the Arthur D. Little Management Education Institute, this was a fully accredited academic institution with the ability to grant master's degrees. Later, in 2002, it became the Hult Business School.

***DURING THE MOON  
RACE OF THE LATE  
1960S, THE COMPANY  
PARTNERED  
WITH NASA.***

When it came to innovation management, ADL led the debate. In the 1990s ADL published a series of seminal books, including *Third Generation R&D* (1991), *Breakthroughs* (1993), *Product Juggernauts* (1995) and *Managing Technology for Corporate Success* (1997). In the field of organizational culture, it also published the highly influential book *The Unwritten Rules of the Game* (1994), a powerful and practical tool to help find out “what really goes on around here” in an organization.

## CONTRIBUTING TO A DIGITALIZED AND SUSTAINABLE WORLD

During the first two decades of the 21st century, digitalization became central to businesses across virtually every domain, and ADL has remained at the forefront of digital innovation and transformation. In the last five years, ADL has helped cities such as Dubai and Stockholm to transform into sustainable “smart cities”. During the COVID-19 pandemic, ADL has helped organizations respond to the crisis and adapt rapidly, including new artificial intelligence and machine learning-based tools for monitoring and responding dynamically to risks.

Today, with over 40 offices around the world, ADL still lives and breathes the original philosophy of its founder – to help our clients make a difference in industry and society through linking people, technology and strategy. This philosophy of openness, in which success comes from connected communities and partner ecosystems, is critical for the development of a sustainable future. It’s also a philosophy that highlights the real value that management consultancy can deliver.

## FOUR REASONS CONSULTANCY MATTERS

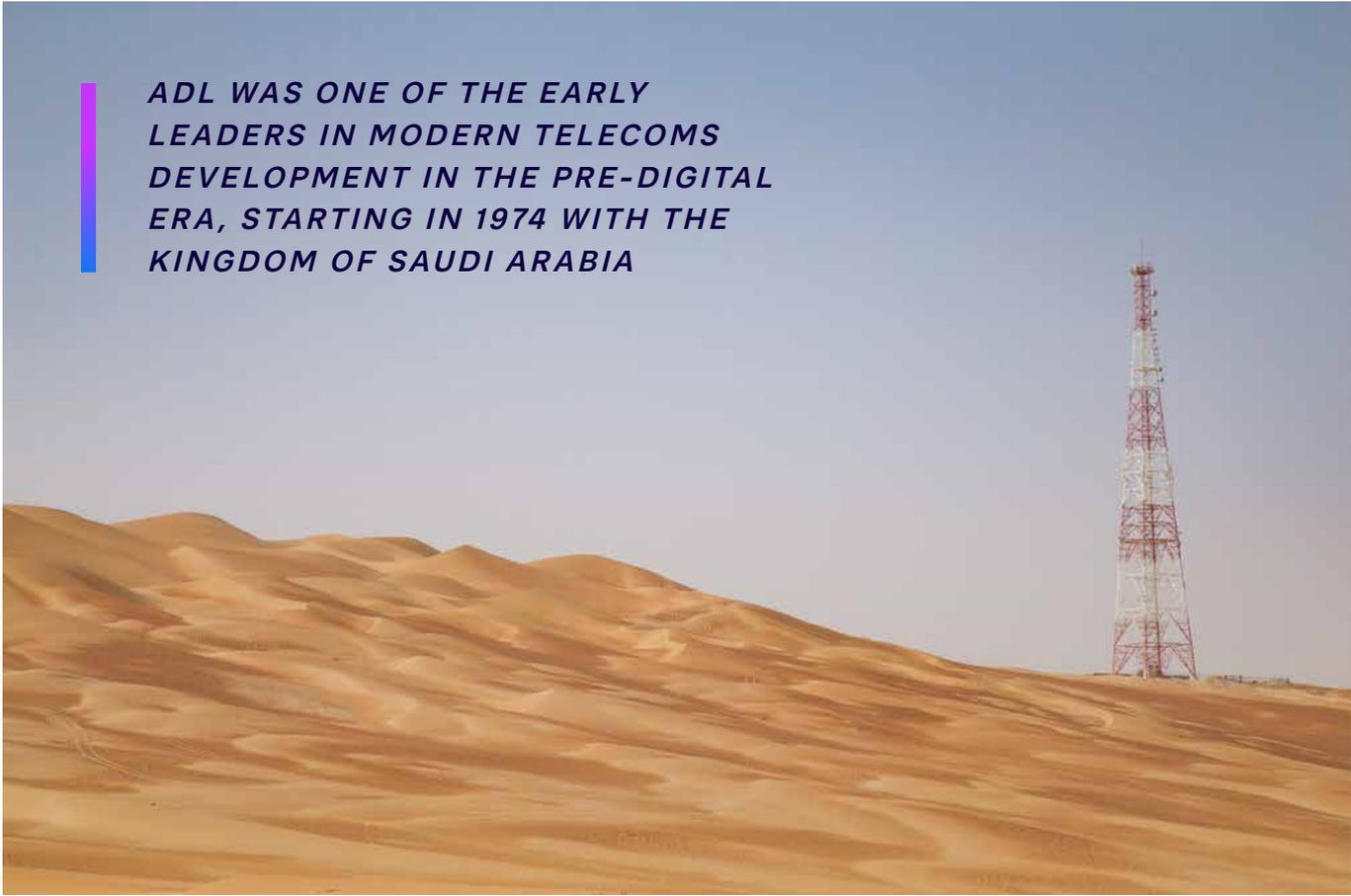
What, then, can we learn about the value of consulting from ADL’s history? Not all consultancies are the same, but we can still draw some general conclusions about how consulting contributes to the world.

### 1. CONSULTING HELPS TO ACHIEVE BREAKTHROUGHS THAT WOULD NOT OTHERWISE HAPPEN

This is a big claim, but a real one.

One of the main obstacles to achieving significant breakthroughs within a large organization is the difficulty of dealing with disruptive innovations that create new markets and customers outside the established base. The threat of destruction of current core business and the power of current brands often lead to the phenomenon of “tissue rejection” when such innovations emerge from the laboratory.

Consultancies can play a vital role in incubating and developing breakthrough innovations into proven and sustainable new businesses, bypassing the corporate headwinds that might otherwise hinder them. The ability to rapidly mobilize a partner ecosystem that includes the best experts and service providers in the world is key for success.



**ADL WAS ONE OF THE EARLY LEADERS IN MODERN TELECOMS DEVELOPMENT IN THE PRE-DIGITAL ERA, STARTING IN 1974 WITH THE KINGDOM OF SAUDI ARABIA**

## **2. CONSULTING HELPS TO REALIZE THE POTENTIAL OF INDUSTRY CONVERGENCE**

Convergence between traditional industry boundaries has been turbocharged by digitalization. Today, food companies are active in healthcare, telecoms companies in media, and automotive companies in energy. Much value can be created at the boundaries between industries, which is often where innovation tends to occur.

Because consultancies such as ADL work in innovation across many different industries, they are ideally placed to identify and exploit these areas of convergence, in a way that a single company is less able to do.

For example, building on its expertise and experience across the automotive

and energy industries, ADL recently assisted an automobile manufacturer with launching a seamless electric vehicle charging solution for hardware, installation and green energy services, and a prime example of the convergence between transport and energy.

## **3. CONSULTING HELPS TO MAKE GREAT IDEAS A REALITY**

It is a truism that if innovation fails it's usually not because of a lack of ideas. There are great ideas everywhere, both inside and outside any typical company, but the biggest problem is how to realize them in practice, especially alongside existing business operations.

Similarly, the easiest part of any major transformation or change is coming up with the vision and developing the plan – the hardest part is actually making it happen.

Consulting has a vital role to play in overcoming these obstacles. By providing dedicated experts who understand how to work productively side by side with a company's own resources, major change can be effected together. As such, the best consultancies enable companies to achieve goals and ambitions they could not have realized on their own.

#### **4. CONSULTING CAN BE AN EFFECTIVE FORCE FOR GOOD IN SOCIETY**

Consultancies are service providers, and generally need to do what clients want them to do. However, it's not the case that they are just "passengers", with no opinion on the client or the impact of its business on the world. The best management consultancies operate with strong principles and rules that preserve their own independence, objectivity and integrity.

***LOOKING BACK OVER ADL'S HISTORY, IT IS IMPOSSIBLE NOT TO FEEL A HUGE SENSE OF PRIDE ABOUT THE UNIQUE CONTRIBUTIONS THAT THE FIRM HAS MADE TO BOTH BUSINESS AND SOCIETY OVER THE PAST 135 YEARS.***

Strategic consultancies are in a unique position to influence company leadership in a positive way. This could be through holding up a mirror to highlight poor practices or operational shortcomings, sharing examples of best practice, or helping to improve the social and/or environmental impacts of a company's operations. A good consultancy with the right client relationship should be a trusted adviser, able to be both candid in providing feedback and challenging in advising on goals and objectives.

## **CONCLUSION – CONSULTANCY NEEDS AN OPEN CULTURE**

Looking back over ADL's history, it is impossible not to feel a huge sense of pride about the unique contributions that the firm has made to both business and society over the past 135 years.

Of course, there is no room for complacency. Consultancies often have privileged access to highly sensitive information, requiring the highest standards of professional practice. The consulting industry also needs to be constantly vigilant that the lure of client fees doesn't lead to its integrity being compromised.

Consultancy matters a lot to the future of the world, but the industry needs to do more to ensure that it is recognized by the public as a force for good with an open culture, rather than a closed shop generating profits for the few.

*THE BEST MANAGEMENT  
CONSULTANCIES OPERATE WITH  
STRONG PRINCIPLES AND RULES THAT  
PRESERVE THEIR OWN INDEPENDENCE,  
OBJECTIVITY AND INTEGRITY.*



