CONSULTING PSYCHOLOGY IN THE DIGITAL ERA: CURRENT TRENDS AND FUTURE DIRECTIONS

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Recent technological developments are reshaping the state of consulting, and consulting psychology is no exception. Although demand for consulting is likely to grow over the next few years, the knowledge base and tool sets most commonly used by consulting psychologists are being commoditized, while the gap between science and practice seems to be widening. Consulting psychologists can respond to these trends in 4 major ways: a) reconnect with academia to bridge the gap between science and practice; b) focus less on problem-solving and more on problem-identification; c) build wider collaborative networks and practice to share data and crowd-source knowledge; d) engage with new technologies.

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The best way to predict the future is to invent it. (Alan Kay)

Psychological consulting concerns applying theories and methods from psychology to the real-world problems of people (e.g., managers, teams, employees, or consumers). Consultants typically help clients improve their understanding of certain behaviors with the goal of influencing them to improve their performance. Although a significant proportion of psychological consulting focuses on organizational problems—most notably human resources (HR) or management issues—there are many other areas of consulting psychology (CP), such as advertising and marketing, human-computer interaction, dating and relationships, forensic, educational, and clinical psychology. Given the primary emphases of this journal, we will focus our discussion on organizational matters, but first will consider some generalities about the current state of consulting.

Current Trends in Consulting

Consulting activities are on the rise. For example, a recent report by Bloomberg (Sager, 2013) notes that most companies intend to either maintain or increase their budget for external consultancy in...
the near future. Nearly half of the firms surveyed expected to bring in more consultants than they currently do, whereas 5% planned to grow spending on consultants by more than 50%. In the United States, the market for management consulting grew by 8.5% last year, to almost $40 billion. The fastest-growing areas are marketing and sales (25.6%), operational improvement (11.3%), and technology (10.1%; Sager, 2013).

Changes in the focus of high-end management consulting firms (e.g., McKinsey, Deloitte, and PWC) contain lessons for CP. The business models of these firms involve charging eye-wateringly high fees for access to proprietary insights and methodologies to solve client problems. Staffed by top graduates from elite universities, these firms focus on aggregating knowledge about specific industries (e.g., banking, supply chains, retail) and translating it into actions based on case studies and “best practices.” For years this sufficed: it allowed firms to remain opaque, privileged holders of desirable information. However, as firms became more global, they began disseminating their insights and cases through in-house journals (e.g., McKinsey’s McKinsey Quarterly; Booz Allen’s Strategy + Business), social media, conferences and books. In this way, they developed global reputations and created demand among firms eager to apply the lessons behind big success stories, such as General Electric’s ability to operate a conglomerate, or IKEA’s supply chain efficiencies.

Global management consulting firms have also engaged with academia to facilitate the transfer of knowledge from researchers to companies. For example, McKinsey partnered with Bloom and Van Reenen in their mammoth studies of management practices (Bloom, Dorgan, Dowdy & Van Reenen, 2007). Gallup with Harter and Schmidt in their meta-analysis of engagement (Harter, Schmidt & Hayes, 2002); HayGroup with Daniel Goleman in promoting their emotional intelligence test (Goleman, Boyatzis & McKee, 2002). In turn, universities and business schools followed big consulting firms in disseminating academic research via popular magazines (Harvard Business Review; Ivey Business Journal) or online (INSEAD’s Knowledge) and building brands. These partnerships have typically led to the promotion and commercialization of a methodology or solution for more efficient management, better workplace relationships or a less unhappy workforce.

The above models depend for their success on access to exclusive information derived by consultants completing paid assignments and packaging them into proprietary methodologies, thereby creating specialist knowledge with the allure of wisdom. In the absence of a transparent market to evaluate competing claims, clients rely on three mechanisms as a proxy for measurement: a) price serves as a proxy for quality, or b) they rely on “social proofs” (hiring the same firms that peers use; Cialdini, 2001), or c) they use the implicit quality assurance of top flight university qualifications (Christensen, Wang & Van Bever, 2013). The problem for these models is that companies are getting better at measuring outcomes, and information and expertise are now widely available via the Internet. Furthermore, technologies that enable knowledge to be free also enable collaboration beyond firm boundaries and the creation of new nonproprietary methodologies. This leads to our first question: in the era of free knowledge, open-source data, and cheap technology, why would anyone pay for consultants?

**Knowledge Is Free – But You Can Still Pay for It**

As access to methodologies, data, and cases becomes more widespread—note 2/3 of the world is still offline (Internet World Stats, 2013)—we would expect that the boundaries between consultants, client firms and academia become more porous. Christensen, Wang, and Van Bever (2013) described how new consulting firms assemble lean project teams of freelance consultants at a small fraction of the cost of traditional consulting competitors. They can achieve these economies in large part because they do not carry the fixed costs of unstaffed time, expensive downtown real estate, recruiting, and training.

Recent innovations in HR technologies have impacted CP, most notably through aggregating large datasets, creating online networks, virtual communities, and sharing information on the Web. For example, LinkedIn has provided a direct link between hiring firms and candidates, scaled its
service for a global workforce and is in the process of destroying the recruitment industry (Overell, 2012). LinkedIn enables users to filter and sort candidates from a global pool, gather peer-ratings of their skills, and access their networks at a fraction of the fees paid to recruiters. With regard to employee engagement or climate surveys, thousands of platforms—for example, a Google search for “employee engagement software” yielded more than 40,000 hits—are now available that enable organizations and small consultancies to create, deploy, and analyze survey results, including cheap benchmark data to compare different organizations (as in the case of Gallup’s Q12). Even 360-degree feedback tools are available at no cost online (see, e.g., http://www.selfstir.com/) to aggregate multiple ratings of a manager’s or employee’s reputation and make this information available to everyone via the Web. Like Wikipedia, these free tools have limitations but they are more useful than many paid alternatives, which forces consultants to be more competent to offer some added value.

As a corollary, the authors expect to see innovation in how consultants are paid, such that pay will be tied to proven results, rather than simply to the cachet of being serviced by a major brand consultation organization. In CP, a premium fee might be tied to a percentage reduction in turnover or increase in employee engagement or profit levels.

Our broader point is that, in a world in which once-privileged knowledge and methodologies become commoditized, the meaning of “expert knowledge” changes. This leads us to our second question: is the ability to solve old problems now less important than the ability to formulate and solve new ones?

Redefining the Role of Experts: From Curators to Creators of Knowledge

Walking through the vendor hall at large-scale I-O psychology conferences anecdotally highlights the state of the art in consulting tools: endless variations on a few themes, such as personality assessments, 360 tools, engagement surveys. New vendors offer incremental improvements or small changes, but the underlying science seems not to have shifted a great deal. In this market CP looks a lot like selling solutions in search of a new problem.

This situation is perhaps analogous to the growth of the expansion of nurse practitioners in primary medicine. In the United States, by 2025, the ratio of physicians to nurse practitioners is expected to fall from 5:1 to 3:1 (Scudder, 2013), reflecting the systematization of knowledge about common ailments and packaging of treatments. In CP, tasks and assignments that once were the domain of specialist PhDs are now routine HR tasks or undertaken automatically by online tools and applications. Similarly, in medical research, specialized practice and treatment has moved upstream in search of more important or significant problems.

Commoditization of routine approaches and tools increases the usefulness of problem finding, but in CP this space appears underpopulated. A few examples demonstrate that opportunities do indeed exist. For example, Michael Lombardo and Robert Eichinger saw that the proliferation of competencies models in large organizations created confusion and duplication of effort (Lombardo & Eichinger, 1996) and could be effectively summarized and standardized. Their Lominger competencies, packaged with recruitment interview guides and suggestions for individual development experienced widespread adoption (see http://www.lominger.com/default.aspx? t = 3). Likewise, Daniel Goleman understood how unpopular IQ measures are among talent management professionals, and that they were more interested in soft skills than hard skills or IQ, which paved the way for the EQ-movement (Goleman, Boyatzis & McKee, 2002). We believe that a large set of other problem spaces exist and represent similar opportunities for innovation in our field: raising productivity, better measures of performance, just-in-time skill development, virtual collaboration, and so forth. Further, our belief is that academia has little to say about such pragmatic issues and CP consultants have consequently little useful theory on which to draw, which leads us to a third question: is the science-practitioner gap widening?
The Reputation Economy: Mining on the Science-Practitioner Gap

Many aspects of traditional consulting roles nearly always involve the same process, whether in logistics, nanotechnology, or psychology. An independent expert—the consultant—meets with a client to diagnose and remediate a problem the client feels it cannot solve alone. As Lowman (2012) recently noted, in the case of CP, this practice is

...the art of both (a) translating from the knowledge base—the science and research—of the discipline into the specific problems and issues that are before the psychologist and (b) applying judgment derived from both science and knowledge gained from experience (especially when science is lacking or minimal), to be helpful to clients in solving or preventing/mitigating problems and addressing challenges and/or opportunities. How to do so validly is neither obvious or simple. (p.154)

We think Lowman is right—but we suspect the gap between the field and the lab is widening. Our impression is that consultants are quick to offer tools and methodologies that are scientifically dubious (witness the MBTI; Gardner & Martinko, 1996); and that academics are slow to deliver findings that are of practical value in the real world (witness almost the entire oeuvre of leadership research).

Consultants are usually chosen because they are specialists in the field. The ubiquity of the Web has made it harder for consultants to fake expert credentials, and easier for clients to identify true experts. In our reputation economy, it should be as easy find the right consultant (say via a version of LinkedIn) as it is to find the right restaurant, hotel, or movie via TripAdvisor. Our point is that the demand-supply gap in knowledge will surely narrow as we continue to crowd-source knowledge on the subject matter and the experts. This should also allow experts to emerge organically outside formal systems—open-source journals, personal blogs, Twitter, TED talks—experts can be quantified in terms of audience impact or reach rather than academic credentials or titles. This brings us to our final question, Is the scope for CP widening?

Consulting Beyond HR: The Widening Scope for Business Psychology

Fields such as Industrial-Organizational (I-O) psychology are also involved in CP issues and have a strong tradition of empirically research dating back more than a century. Management and HR practices have been increasingly influenced by academic findings in I-O psychology, often disseminated via formal educational programs (e.g., Master's or doctoral degrees in I-O psychology). Other disciplines are interested in findings from psychology. Business schools, for example, promote findings from our field, often more successfully than the original researchers because they have a tighter interface with those who apply those insights to real-world problems. Our prediction of much greater blurring in firm, consultant, and academic boundaries squares with Lowman’s description of CP as an art: we anticipate that knowledge and practice will move and morph across disciplines to an extent greater than ever.

Furthermore, many psychological methods and theories have been advanced thanks to the research efforts of I-O and other psychologists, to the benefit of other areas. For example, innovations in psychological assessment, meta-analytic techniques, and leadership theory have been extrapolated from management/HR to educational, sports, or clinical settings (Peck, 2013). However, the scope for CP is not limited to these areas.

Consider, for example, recent developments in advertising and marketing. For years advertising remained a serendipitous, intuitive, and arbitrary practice—it was in fact more of an art than a science. With the advent of modern psychographics (sophisticated data mining techniques that translate consumers’ past behaviors into predictions of their future behaviors), advertising became a game of data scientists rather than eccentric creative (Elmeleegy et al., 2013). The advertising mavens of Madison Avenue have been replaced by the algorithms of Silicon Valley. Although psychological applications to advertising have traditionally lagged behind of mainstream I-O psychology—in terms of sophistication, empirical rigor, and active science-practitioners—there are important lessons to be found in consumer psychology.
First, advertising has adopted digital technologies and social media more quickly than HR psychology (Davenport, 2013). Second, the monetization of new technologies has been more lucrative in advertising than in HR—for example, search ads account for almost 50% of digital advertising revenues (Goodwin, 2013) whereas social recruitment accounts for only a tiny fraction of the recruitment market. Third, in advertising the integration of practice and science is deeper and more immediate in terms of feedback and implementation, where big data platforms can simultaneously assess and influence consumers without the need of human intervention (Mayer-Schönberger, & Cukier, 2013). This type of personalization is likely to emerge in other areas of consulting services as technologies advance to offer more consumers what they want, when they want it and how they want it.

**Conclusions**

In considering the state of consulting in general, we believe the demand for consulting is likely to continue to grow. Nonetheless, consulting is also subject to the wrenching forces of disintermediation (a reduction in the use of consultants or services that sit between producers and consumers) and the digital revolution. At the same time that the knowledge base and tool sets most commonly used by consulting psychologists are being commoditized, the gap between science and practice seems to be widening.

Consulting psychologists can respond to these forces in four ways:

1. Reconnect with academia to import real problems into the lab, and export promising science into the real world for application. Partnering with research enables a cycle of real-time testing, refinement, and implementation.
2. Expand the boundaries of problem definition and solution. Asking questions and trying to solve more significant problems will drive innovation and widen the boundaries of the field.
3. In the same way open source software is developed, consulting psychologist should build collaborative networks and practice to share data and attack tough problems in new and innovative ways.
4. Finally, CP should be braver in engaging with new technologies and the larger amounts of data being collected.

**References**


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