

The impact of strategy consulting on industry innovation, performance, and global competitiveness

Research Pulse

In an increasingly complex and competitive global landscape, strategy consulting plays a pivotal role in shaping innovation and industry performance. Research shows that consultants drive business growth by identifying new market opportunities, optimizing operational efficiency, and improving financial outcomes. Their expertise catalyzes innovation, diffusing novel practices across sectors and enhancing firms' capacity for disruption. However, strategy consulting also raises concerns about standardization and the risk of diminishing market differentiation. Beyond large corporations, small and medium-sized enterprises (SMEs) now benefit from consulting services, fostering competition and driving industry-wide change. In this article we look at the multifaceted impact of strategy consulting, highlighting both its contributions and challenges.

Consulting shapes innovation and industry performance

In an era where industries are confronted with unprecedented levels of complexity, competition, and technological disruption, strategy consulting remains a crucial driver of business performance and sectoral transformation. Firms increasingly rely on strategy consultants to navigate the volatile business environment, seeking not only solutions for current challenges but also long-term guidance to achieve sustainable growth. External consultants are often the architects behind major shifts in corporate strategy, influencing not only individual firms but entire industries. The role of strategy consulting, however, goes beyond assisting firms to devise strategies; it significantly impacts how industries operate, innovate, and compete. In this article, we delve into the various effects of strategy consulting on industry performance, examining the positive contributions as well as the critical debates surrounding its influence.

One of the most prominent effects of strategy consulting is its capacity to drive innovation across industries. Consultants are often at the forefront of identifying growth opportunities, whether through new market entry, product diversification, or digital transformation. Given their exposure to multiple industries and markets, strategy consultants bring fresh perspectives and cross-industry insights that spur innovation. Consultants act as vehicles of management innovation, disseminating novel

managerial practices and frameworks that enhance firms' innovative capacity. Companies engaging in strategic consulting are 35% more likely to introduce disruptive innovations in the five years following an engagement. This knowledge transfer enables companies to adopt best-in-class solutions that may not be widely practiced within their sectors (Giangreco, 2011). Moreover, consultants play a vital role in diffusing cutting-edge organizational forms and practices across industries, thus raising the overall standard of innovation (Andrew Sturdy, 2009).

Area of Impact	Key Points	Contribution
Innovation	Consultants act as "vehicles of management innovation"	Drive innovation through new market entry, product diversification, and digital transformation.
Efficiency & Competitiveness	Consultants improve operational efficiency through diagnostic analyses of business processes.	Support firms adopt practices like lean management and restructuring, which raise industry standards.
Financial Performance	Identifying growth strategies that align with market opportunities and client capabilities.	Improve financial metrics such as ROIC, EBIT, and shareholder value.
Globalization & Market Entry	Consultants assist firms in entering international markets and adapting to foreign regulatory environments.	Facilitate globalization, helping firms expand and diversify into new markets, e.g., China and India.

Strategy consulting impacts efficiency, competitiveness, and financial performance

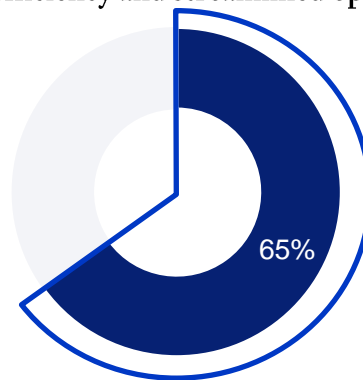
Beyond innovation, strategy consulting has a profound influence on operational efficiency, which in turn shapes the competitive dynamics of entire industries. A report by Source Global Research indicates that nearly 65% of firms that engaged with strategy consultants reported marked improvements in productivity, cost efficiency, and streamlined operations. Consultants typically conduct in-depth diagnostic analyses of business processes, identifying areas of waste, redundancy, and inefficiency, and recommending solutions such as lean management and restructuring.

These improvements not only enhance client firms' performance but also compel other players within the industry to adopt similar practices to

maintain competitiveness, thereby elevating operational standards across the board. For instance, in the automotive industry, the widespread adoption of supply chain optimization techniques, influenced heavily by consulting firms, has led to significant industry-wide shifts towards leaner production systems and just-in-time inventory management (Christopher, 2016). As more companies integrate these practices, industries become more efficient and cost-competitive, although this may also increase pressure on smaller firms to keep pace.

Financial performance enhancement remains a key motivation for firms seeking the services of strategy consultants, with many companies expecting tangible returns in the form of increased profitability, market share, and shareholder value. Empirical studies have provided mixed but insightful findings on this front. *The Harvard Business Review* asserts that strategy consulting has contributed substantially to enhancing shareholder value in sectors such as pharmaceuticals and banking by identifying growth strategies that align with market opportunities and client capabilities (Clayton M. Christensen, 2013). Such consulting engagements often result in improved financial metrics, including return on investment and earnings before interest and taxes. Nevertheless, while short-term financial gains from consulting interventions are often realized, the long-term sustainability of these gains can be questionable, particularly if firms lack the internal capacity to implement and maintain the recommended strategies effectively. Therefore, while strategy consulting can boost industry profitability, its long-term impact depends heavily on execution and organizational alignment.

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Source: Source Global Research

Strategy consulting's impact on efficiency, competitiveness, and financial performance

An often-overlooked consequence of strategy consulting is its role in standardizing strategies within industries, a phenomenon that can have ambiguous effects on competition and differentiation. As many consultants employ well-established frameworks such as SWOT analysis, Porter's Five Forces, and the BCG Matrix, they may inadvertently guide different firms toward similar strategic solutions. This tendency is referred to as the "strategy trap," whereby firms adopt convergent strategies that erode unique value propositions and lead to competitive stalemates (Martin, 2009). For example, in the banking sector, widespread digitization efforts driven by consulting advice have led to nearly identical customer experiences and product offerings among major banks, thus diminishing brand differentiation and fostering price-based competition. Although standardization can improve industry-wide quality and efficiency, it may also undermine the diversity of strategic approaches, limiting firms' ability to stand out in the market and potentially reducing the industry's dynamism over time. It would be shortsighted to see this as evidence of a hamster wheel exercise: First movers will reap gains from differentiation until competitors catch up, while those who do not follow best practices will end up falling behind.

The expanding reach of strategy consulting: Empowering SMEs, driving globalization, and shaping industry futures

While large corporations are the primary consumers of strategic consulting services, an increasing number of small and medium-sized enterprises (SMEs) and startups are turning to consultants to gain strategic clarity and professionalize their operations. Advances in AI-driven consulting platforms and the growth of boutique firms have made strategic expertise more accessible and affordable for smaller players. Strategy consulting helps SMEs develop robust strategic plans, improve management practices, and pursue growth opportunities that might otherwise remain untapped (Andreas Werr, 2007). This democratization of strategic consulting not only strengthens individual firms but also intensifies competition and innovation within industries, as smaller firms gain the tools to challenge incumbents and drive disruptive change.

Finally, strategy consulting significantly affects globalization and the international competitiveness of industries. By helping firms formulate market entry strategies, adapt to foreign regulatory environments, and understand cultural dynamics, consultants enable companies to expand beyond domestic markets. Consulting advice has been instrumental in facilitating Western firms' entry into emerging markets, such as China and India. This not only benefits individual companies but also intensifies global competition, encourages knowledge transfer, and enhances the diversity of products and services available in various markets. As industries

globalize, consulting firms serve as key enablers of cross-border trade and investment, shaping not just local industries but the global economic landscape.

In conclusion, strategy consulting exerts a profound and multifaceted influence on industry performance. By driving innovation, improving operational efficiency, enhancing financial outcomes, and shaping regulatory frameworks, consultants help industries evolve and adapt to new challenges. However, the effects are not universally positive; standardization of strategies can limit differentiation, and ethical lapses can harm entire sectors. The impact of strategy consulting thus depends on a delicate balance of expertise, ethical responsibility, and strategic alignment with the client's unique context. As industries continue to grapple with digital transformation, environmental sustainability, and geopolitical shifts, strategy consulting will remain an essential force—but one that must evolve to prioritize long-term value creation and ethical integrity.

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