

## Free thinking

*Why expensive consultancy firms are giving away more research.*

IN THE run-up to the climate-change conference in Copenhagen last year, a curvy graph was passed around by policymakers and NGOs. It showed various options for cutting carbon-dioxide emissions. At one end of the chart were simple efficiency improvements which would both cut CO<sub>2</sub> and save money; at the other end were costly technologies like nuclear power and carbon capture. Climate-watchers found the graph useful for demonstrating how many money-saving or cheap technologies there were. As one veteran put it, "We all speak McKinsey's language now." The graph was indeed put together not by a tree-hugging NGO, but by the for-profit consultancy.

All consulting firms seek to provide what they annoyingly call "thought leadership". McKinsey's rival, the Boston Consulting Group (BCG), became well known in part by distributing its ideas freely. Consultancies now put out short opinionated papers as well as data-laden reports such as BCG's recent one on wind power in China or PricewaterhouseCooper's on electronic health records. Fiona Czerniawska of Sourceforconsulting.com says the number of such reports from the top 25 firms has quintupled since 2004. Free reports are expensive to produce: Tom Rodenhauer of Kennedy Information, a firm that monitors consultancies, reckons they cost up to 5% of gross revenues. Are they worth it?

Ironically, given how much grief they would give a client who failed to answer such a question precisely, the consultancies cannot prove they are. Clients rarely say they hire a firm on the strength of its free publications. But the firms nonetheless defend the growing practice as a form of marketing. Costly consultancies like BCG and McKinsey are hired by chief executives or those near that rank. Their reports (and, increasingly, their webinars and podcasts) are an excuse to contact potential clients and a way of boasting about the brainpower they can apply to problems.

Thought-provoking reports also help recruit the talented. Many graduates join consultancies and put up with being merely affluent—instead of joining investment banks and becoming obscenely rich—for the intellectual stimulation that consulting seems to offer. BCG, for example, recently invited all its staff with doctorates (a few dozen) to a conference to swap Big Ideas. Many of the ideas, from biology to musicology, influenced the subsequent year's research programme.

Producing free research especially helps young consultants prove their worth, both to clients and to others within the firm. Christopher McKenna, a historian of consulting at Oxford University, says clients may balk at paying handsomely for a "young punk" of a consultant. A young punk who has written an impressive paper is a different matter. Spots for year-long stays at the consultancies' in-house think-tanks such as the McKinsey Global Institute, BCG's Strategy Institute and the IBM Institute for Business Value are fought over fiercely.

Is the research they produce any good? Some thought leadership is "academic masturbation", says Mr Rodenhauer, but some of it is excellent: McKinsey's analysis of China's economic data, for example, or IBM's specialist writing on technology. The effect of putting out free reports may be hard to measure, but Lenny Mendonca, McKinsey's head of knowledge development, is not about to stop. "We only worry if we're spending enough," he says.

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