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Netocratic Disruption: a case study in the consulting industry

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Abstract

More than two decades ago, Christensen (1997) defined disruptive technologies. Sixteen years later, Christensen, together with Wang and van Bever (2013), boldly proclaimed that consulting was on the “cusp of disruption” – a prediction that is now coming true. For more than a century consulting firms’ business models had not changed, as agility and opacity provided professional services with immunity to disruption (ibid). This immunity, however, has been drastically weakened by data analytics and big data, affecting all high-opacity industries (ibid).

Despite predictions being made a couple of years ago, about looming disruption of the consulting industry, to the best of the authors’ knowledge, there is no academic research with a focus on this disruption. In this research, the authors aim to name, define and characterise a new type of disruption. This potentially far-reaching form of the phenomenon is generalised from a specific form found to be disrupting the consulting industry. From this particular example, a new, disruptive business model is introduced.

This research involves the exploration and understanding of the new phenomenon and is underpinned by interpretivism (Myers, 2008) as the philosophical stance. The strategy applied is a single-case case study and is based on Bridging Consulting Ltd (Bridging, 2018) – the organisation where the phenomenon is observed. Using an inductive approach enables researchers to make observations and describe the phenomenon being studied (Lodico, Spaulding and Voegtler, 2010). The data gathered is qualitative, using a mono-method, to facilitate a rich and descriptive account. The research was conducted during the first half of 2018, making this a short-term study, with a cross-sectional time horizon. An online questionnaire was used to gather qualitative data from the business owner and founder of Bridging Consulting Ltd (Fuschi, 2018).

Collating and analysing the data led to the conclusion that there are certain aspects that characterise the general disruptive approach. These characteristics suggest that the organisation:

- Is rooted in a Networked Society (Castells 2009).
- Embraces Informationalism (Castells 2009).
- Functions according to the Hacker Ethic (Himanen 2001).
- Depends on digital networks, digitalisation, and operates in a form of Netocracy (Bard and Söderqvist, 2002).
- Facilitates, and exhibits, Disruptive Innovation (Christensen et al., 2015).

Based on these characteristics, the phenomenon disrupting the consulting industry is named, by the authors, as **Netocratic Disruption**. When applied, practically, to a trading entity, this may be further defined as: *any commercial organisation operating solely via digital networks; in which creativity is actively encouraged, and*

in which the three core elements of the Hacker Ethic are fundamental to the ethos of the organisation; and which effects industry and / or market change based on the principles enshrined in the theories of disruptive innovation.

Within the particular organisation studied, the analysis highlights the following specific features:

- Near-100% reliance on digital technology - there are no offices, despite operations taking place potentially anywhere in the world.
- Consultants are not recruited into the firm but rather are part of an expanding network of contacts and connections.
- Consultants working on a project are not peers, employees, subordinates, bosses or colleagues but are true business partners, sharing profit and risk of the particular project they are working on.

Based on both the general Netocratic Disruption characteristics and on these particular features, the name given to the disruptive business model is **Netocratic Consulting**, defined as: *a consultancy firm, embracing the principles of Netocratic Disruption, and operating with a global network of freelancers, working as business partners who rely fully on digital technologies to perform all business functions.*

In addition, this work suggests that Netocratic Consulting firms greatly reduce or remove the need for Human Resource (HR) specialists as well as recruitment companies. Further research could explore this new dynamic in much greater detail, given the unusual way HR aspects are managed. Considering the absence of hierarchical structures and a complete lack of employee-employer relationships between freelancing partners, future work might examine this disruptive working arrangement, both within the consulting sector, and in the wider business, industrial, commercial and academic arenas.

Hence, the authors consider Bridging Consulting Ltd.'s business model to be new and disruptive to business models of traditional consultancy firms. All data was gathered from this company, meaning that analysis was done based on a single disruptive business model. Whilst this is necessarily limited, additional future research into other potentially disruptive consultancy firms, and their respective business models, will contribute to the currently limited body of knowledge around this nascent phenomenon.

The authors believe that this study contributes unique findings in that it is the first work to name, define and characterise the general disruptive phenomenon and the particular implementation of this, manifest as a new business model, one that relies exclusively on digitalization, disruptive innovation and this novel form of entrepreneurship that is now disrupting the consulting industry.

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