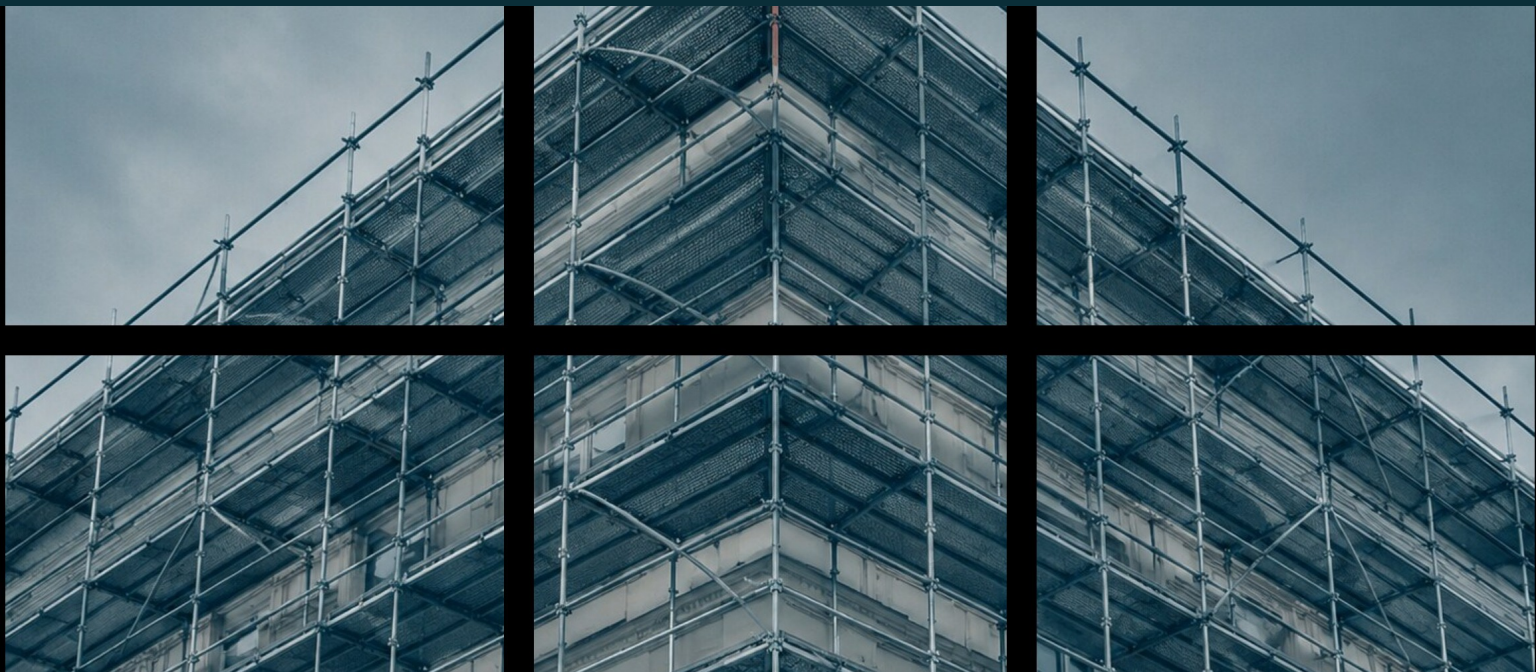


BEYOND THE BORROWED ANSWER

The Consulting Dependency Cycle: Why Organisations Keep Buying What They Could Build

On the difference between renting an answer and building the capability to reach it



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“Each turn of the cycle is individually defensible. The sum is an institution that has spent a fortune to remain incapable.”

1. Executive Summary

A scene recurs across the corporate landscape with the regularity of a season. A firm of advisers presents its final report; the binding is handsome, the diagnosis lucid, the recommendations sound. The client thanks them, files the document, and some eighteen months later commissions a strikingly similar exercise — occasionally from the same firm, more often from a rival selling the same conclusions in a different typeface. The organisation has now bought the answer twice, and is no closer to being able to reach it unaided than it was at the outset.

This essay is concerned with why. The comfortable explanation — that organisations lack expertise and must therefore rent it — accounts for the first engagement but not the endless repetition. The dependency that matters is not a gap in knowledge; it is a set of structural forces that make buying rational for every individual involved even as it leaves the institution permanently hollow. What follows names those forces, concedes fully the cases in which buying is the right and honest choice, and then draws the single distinction that separates the healthy use of advisers from the addictive one: whether the organisation is more capable at the end of the engagement than it was at the beginning. Most of the time, tested against that question, the honest answer is no — and the reasons it is no are not accidental.

2. The comfort of the borrowed answer

Consider the pattern more closely, because the detail is where the mechanism hides. A board becomes uneasy about a market it does not fully understand. It cannot easily say so aloud, and it certainly cannot sit with the discomfort for two quarters while it works the problem out. So it does what boards do: it commissions clarity. Advisers arrive, interview the very executives who commissioned them, synthesise what those executives already half-knew into a crisp narrative, and hand it back adorned with frameworks and comparators. The board feels the fog lift. Decisions that were stalled now move. Everyone agrees the money was well spent.

Notice what has actually been purchased. Not, in most cases, knowledge that did not exist inside the building — the sharpest observations in the final report were very often spoken aloud, months earlier, by someone three levels down who was not heard. What has been purchased is permission: the authority to believe what the organisation already suspected, and the cover to act on it. This is a real service and I do not sneer at it. But it is worth being clear-eyed that the transaction was about conviction, not information, because that is the first clue to why it repeats.

The recurring engagement is rarely a purchase of knowledge the organisation lacks. It is a purchase of the confidence to act on knowledge it already holds. That is why owning the knowledge does not end the dependency.

3. Why the capability-gap story falls apart

The standard account of advisory dependency is a capability gap: the organisation does not have the skill, so it buys it. If that account were complete, dependency would behave like any other gap — it would close. Each engagement would transfer a little competence, the internal bench would thicken, and over a decade the organisation would need advisers less and less, calling on them only for the genuinely novel. That is emphatically not what we observe. We observe the opposite: the organisations that spend the most on external advice are very often the ones least able to function without it, and their spend rises rather than falls over time. A gap that widens the more you invest in closing it is not a gap. It is a dependency, and dependencies are sustained by structure, not by ignorance.

So the interesting question is not "why do organisations buy expertise they lack?" — that needs no explanation. The interesting question is "why do organisations, having bought the same expertise a dozen times, remain unable to internalise it?" The answer lies in a set of forces that quietly reward buying over building at every level of the institution.

4. The forces that sustain the cycle

Five forces do most of the work. None is disreputable on its own; it is their combination, operating unexamined, that produces the cycle.

1. The asymmetry of blame. An executive who hires a respected external firm and fails has an unimpeachable defence: the best available advice was taken. An executive who builds an internal team and fails owns that failure personally. Buying is therefore not merely a way to acquire capability; it is a way to transfer risk to a name that cannot be sacked. As long as careers are ended by blame rather than by outcomes, the rational individual will keep buying the insurance, whatever the institution needs.
2. The accounting of it. In many organisations a permanent hire is scrutinised as a long-term liability against a frozen headcount, while a seven-figure advisory fee is waved through as project cost. The person who cannot obtain three salaried analysts can often obtain thirty adviser-weeks at several times the price. The budget architecture actively steers capability off the balance sheet and onto the invoice, and it does so precisely when cost discipline is tightest — the very moment building would serve the institution best.
3. Knowledge that leaves by design. This is the uncomfortable one. The advisory business model does not, cannot, depend on the client learning to do without it. No firm sets out to defraud a client of capability, but the incentives are plain: the deliverable is the report, not the retained competence, and the consultant who transfers enough skill to render the next engagement unnecessary has, from the firm's perspective, mispriced the relationship. Knowledge walks out of the door in the adviser's head because nothing in the arrangement was designed to keep it in the room.

4. The internal career logic. Commissioning is visible, bounded, and prestigious; building is slow, diffuse, and thankless. The manager who runs a large external programme is seen to be doing something significant this quarter. The manager who spends three years quietly thickening a team's judgement has nothing to show at any single review point, and is often gone before the investment matures. The organisation rewards the purchase of capability and is institutionally blind to its cultivation.
5. Borrowed conviction. Beneath all of these sits the deepest force. What senior leaders most often lack is not analysis but nerve — the settled confidence to commit under uncertainty. Advisers supply it, and it is genuinely useful. But conviction, unlike competence, cannot be stockpiled. It is consumed in the act and must be repurchased for the next decision. An organisation that has learned to source its courage externally will return for more the moment the next hard choice arrives, no matter how much it already knows.

Set these five side by side and the repetition stops being a puzzle. Every actor is behaving sensibly. The board de-risks, the executive protects a career, the budget-holder games the accounting, the adviser protects a business model, and everyone borrows the conviction they cannot manufacture. The cycle is not a failure of intelligence. It is the sum of individually rational choices, and that is exactly what makes it so difficult to break.

It is worth noticing, too, how naturally the instinct dresses itself in each decade's fashion. Just now it wears the language of outsourcing and offshoring — the shipping of a whole function to a lower-cost provider on precisely the reasoning that once justified the standing advisory retainer: someone else can do this more cheaply, so why carry it ourselves? The unasked question is the same one as ever. When they have the capability and we do not, what will we have become?

5. The honest case for buying

It would be dishonest — and it would flatter a lazy anti-adviser prejudice that I do not share — to pretend that buying is always the diseased choice. There are at least four situations in which engaging external advisers is not dependency but good judgement, and any argument that cannot accommodate them is a rigged one.

The first is genuine specialist depth. Some knowledge is so specialised, or needed so rarely, that no sane organisation would carry it permanently. You do not retain a standing capability for something you will do once in a decade; you rent it, and you are right to.

The second is surge capacity. A capability you possess but cannot instantly scale is a real constraint, and buying a temporary surge to meet a spike — an acquisition, a forced migration, a compliance deadline arriving all at once — is prudent resourcing, not weakness.

The third is independence. There are questions an organisation cannot answer about itself with any credibility — where the incumbent power structure is precisely what is under examination, or where a conclusion will only be believed if it comes from outside the political fray. Here the outsider's detachment is the product, and it cannot be built internally by definition.

The fourth is the outside eye — the challenge of someone who has seen the pattern in twenty other organisations and can say, without a career at stake, the thing nobody inside will say. That perspective has real value, and it is not available from the inside at any price.

Concede all four without reservation. The point of this essay is not that buying is wrong. It is that these legitimate uses are the alibi under which the dependency travels — the cycle sustains itself precisely by dressing every engagement in the language of specialist depth and independence, when what is actually being bought, for the twelfth time, is permission to believe what the organisation already knows.

6. Renting conviction versus building capability

So how does one tell the difference in practice? There is a single, unforgiving test, and it is retrospective: is the organisation more capable of doing this for itself now than it was before the engagement began? If yes, capability was built and the money bought an asset. If no — if the organisation is exactly as dependent as it was, or more so — then what was bought was conviction, consumed on delivery, and the invoice purchased nothing that survives.

The tell that the test has been failed has a characteristic shape, and I have watched it play out often enough to give it a name: the diagnostic re-run. A firm of advisers I observed at close quarters was engaged by a financial-services group to define a growth strategy. The work was good. Three years later the same group commissioned a fresh strategy engagement whose terms of reference were, almost line for line, those of the first — because not one person who could carry the earlier thinking forward remained close enough to the work to do so. Across those three years the group spent a little over fourteen million pounds on successive engagements, and at the end of it could not staff a single one of the resulting initiatives from its own bench. The knowledge had been bought, brilliantly, and it had left in a series of taxis. That is the diagnostic re-run: not a failure of the advice, but a failure to design the engagement so that anything of it stayed.

“Capability that is bought and not built leaves in a series of taxis, and the organisation is billed again to summon it back.”

The re-run is diagnostic because it exposes what the accounting hid. Fourteen million pounds, treated as project cost, purchased no durable capability at all — a fact that would have been intolerable had the same sum been spent on a permanent team that vanished without trace. Because it was spent on advisers, it was invisible, and invisibility is what allows the cycle to run for years without anyone asking the retrospective question that would end it.

7. Breaking the cycle

If the dependency is structural, then exhortation will not touch it. Telling executives to “build more and buy less” is useless while every force described above pushes the other way. What changes behaviour is changing the structure, and that is a matter of how the organisation commissions, not how virtuously it resolves to behave.

Three shifts do most of the work, and I offer them as principles rather than a procedure. The first is to make retained capability an explicit, contracted deliverable rather than a hoped-for by-product — to specify, at the outset, what the organisation will be able to do

for itself at the end, and to treat the transfer of that ability as the thing being paid for, with the report as a secondary artefact. The second is to fix the accounting so that building and buying compete on honest terms, so that the person choosing between a permanent team and an advisory programme sees the true multi-year cost of each rather than a frozen headcount on one side and a waved-through fee on the other. The third, and the hardest, is to stop rewarding the commissioning of capability over its cultivation — to make the patient thickening of internal judgement as visible and as career-enhancing as the running of a large external programme, so that someone's best three years can be spent building the bench without their being gone before it pays off.

None of this argues for the abolition of advisers, which would be both impossible and foolish. It argues for a different relationship with them — one in which each engagement is judged, without sentiment, against whether it left the organisation stronger or merely soothed. An adviser worth retaining will welcome that test, because the good ones have always known that the client who never learns is not a mark of their success but a quiet indictment of it.

8. The question worth sitting with

The consulting dependency cycle is not sustained by foolish clients or predatory firms. It is sustained by an accounting that hides the cost of buying, a blame culture that punishes building, a business model that has no reason to teach, and a very human hunger for borrowed conviction that no amount of internal knowledge ever quite satisfies. Each turn of the cycle is individually defensible. The sum is an institution that has spent a fortune to remain incapable.

The way out begins not with a new procurement policy but with a single honest question, asked at the end of every engagement and answered without flinching: are we more able to do this ourselves now than we were before? An organisation willing to ask that question, and to act on the answer when it is uncomfortable, will find the cycle loosening. An organisation unwilling to ask it will keep buying the answer — twice, and then a third time — and each time will call it wisdom.