# Consulting in the Age of AI: A Qualitative Study on the Impact of Generative AI on Management Consultancy Services

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## Abstract

*The business model of management consultancies (MCs) traditionally relies on human expertise to address complex challenges of clients. Generative artificial intelligence (GenAI) has the potential to enhance efficiency and optimize processes in traditionally personalized and knowledge-intensive domains. By employing qualitative content analysis on 15 interviews with consultants from various MCs, this qualitative study investigates the impact of GenAI on the business model (BM) of MCs. Various subcategories for value creation, value proposition and value capturing, impacted by GenAI, are derived. The findings suggest that GenAI enhances process efficiencies, automates routine tasks and optimizes knowledge management, allowing consultants to focus on higher-value, creative tasks. New opportunities to reduce cost and to create additional revenue streams are identified, that come with additional challenges. The continued need for human-driven insights and client relationships remains critical, indicating that generative AI is viewed more as a strategic complement, rather than a replacement for consultants.*

**Keywords:** Generative AI, ChatGPT, Management Consulting, Business Processes, Knowledge Management

## 1. Introduction

"Management consulting's fundamental business model has not changed in more than 100 years. It has always involved sending very smart outsiders into organizations for a finite period of time and asking them to recommend solutions for the most difficult problems confronting their clients" (Christensen et al., 2013). This quote underscores the long-standing perception that management consultancies (MCs)' business model (BM) has been largely unaffected by digital transformation (DT). Meanwhile, MCs themselves support their clients in facilitating their DT (Tavoletti et al., 2022). However, the DT is increasingly recognized in academic literature as a phenomenon that impacts the BM of MCs themselves (Christensen et al., 2013; Nissen, 2018; Tavoletti et al., 2022) One technology that has garnered significant attention in media and science, since the release of OpenAI's ChatGPT in November 2022, is generative artificial intelligence (AI) (Dell'Acqua et al., 2023). GenAI has shown that the ability of AI to perform human-like work has improved rapidly. Large language models (LLMs) such as ChatGPT have proven to be highly effective in creative, analytical, and written tasks (Boussioux et al., 2023). Consultants that integrated GenAI into their workflows were also found to be more efficient and produced higher quality output (Dell'Acqua et al., 2023). Studies show that areas of knowledge work, including management consulting (Muller & Zenker, 2001), can increasingly be supported and partly by GenAI (Berg & Gmyrek, 2023; Dell'Acqua et al., 2023). This raises the question to what extent the new capabilities of GenAI will impact MCs and their BM. We aim to address this identified gap in the current academic literature by answering the following research question:

*RQ: How does generative AI impact the business model of management consultancies?*

To do so, this work provides an exploratory overview of the current and expected impact of GenAI on MC and discusses future implications. Expert interviews with 15 German-speaking consultants are conducted and analyzed using qualitative content analysis (Mayring,

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2014). A theoretical framework is created based on the BM innovation framework by Clauss (2017), to derive the impact of GenAI on value creation, value proposition and value capturing factors of MCs.

## 2. Background and Related Work

Artificial intelligence applications, defined as "computational rational agents" (Hancock et al., 2020), have advanced tremendously in recent years. Such applications increasingly learned to autonomously derive knowledge from data and recognize complex patterns without explicit human instructions (Fui-Hoon Nah et al., 2023), aided by the availability of big data and an evolution in cloud computing. Compared to previous AI systems, the newly emerging GenAI models possesses the ability to not only process and analyze data, but to create new one in the form of texts, images, and videos (Strobel et al., 2024). In this work, GenAI is defined as a technology that leverages deep learning (DL) models to create human-like content in response to complex and varied prompts (Lim et al., 2023). GenAI models are developed by training on extensive datasets, often sourced from public web pages. The scale and quality of the available data directly affect the performance of the GenAI models (Lim et al., 2023). GenAI solutions are applied across various industries (Chui et al., 2022; Reinhard et al., 2004) and assist across a variety of different tasks, e.g. by automating processes, but not without challenges, including ethical issues and technical barriers (Fui-Hoon Nah et al., 2023).

The broad capabilities of GenAI suggest that MCs could experience changes in their operations and offerings. Therefore, analyzing GenAI's impact requires a thorough understanding of MCs' BM. (Kubr, 2002) define management consulting as "an independent professional advisory service assisting managers and organizations to achieve organizational purposes and objectives by solving management and business problems, identifying and seizing new opportunities, enhancing learning and implementing changes." MC therefore specialize in creating, distributing, and transforming knowledge (Leiponen, 2006) by working with the management side of their clients, while often specializing in particular areas, such as cybersecurity. Services are defined by robust client relationships and their ability to solve complex problems (Muller & Zenker, 2001). Their primary expertise lies in integrating various types of knowledge to produce applicable results (Castellacci, 2008), making their business model more challenging to standardize (Consoli & Elche-Hortelano, 2010). As the key resources of MCs are the consultants and their knowledge gained in prior projects, MC strongly rely on the creation, management and usage of their knowledge (see Alavi et al. (2024)). Clients seek consulting services is due to limited capacity, specifically resource constraints such as time and qualifications (Kubr, 2002).

The use of AI tools is becoming more common in MCs, allowing consultants to deliver enhanced value to their clients (Nissen, 2018). The first practical use cases demonstrate that GenAI could support knowledge workers, such as consultants, in the daily tasks of creating presentations, summarizing documents, or optimizing the use of internal company knowledge (Chui et al., 2022). Anthony et al. (2023) argue that, due to the difference between AI and older technologies, AI should rather be regarded as a counterpart than just a tool. Further work demonstrates the potential of GenAI to significantly improve productivity and performance (Dell'Acqua et al., 2023) in complex knowledge-intensive tasks (Dell'Acqua et al., 2023). Boussioux et al. (2023) found that solutions to economic problems generated solely by humans were perceived as highly innovative, and those produced by human-AI collaborations delivered greater value in terms of sustainability and financial outcomes than those of just humans. Existing literature focuses specifically on employee-AI collaboration (Chowdhury et al., 2022), for instance through AI-mediated communication, when GenAI is used to generate or augment messages (Hancock et al., 2020). Grimes et al. (2023) highlight that the entire research process could be made more efficient by using and integrating GenAI. In addition, this knowledge enhancement can improve the efficiency and effectiveness of the education provided to consultants (Fui-Hoon Nah et al., 2023). Beyond the impacts on key processes, Chui et al. (2022) shows how GenAI can already be utilized to support business processes and innovation process management (Bouschery et al., 2023).

## 3. Methodology

This work adapts the business model innovation framework by Clauss (2017) to provide an exploratory overview of the impact of GenAI on MCs by analyzing expert opinions on the matter. In the context of this work, a BM is defined as a company's strategic approach to create a unique value proposition for its customers, realizing this value through its operational processes and activities, and capturing financial profit from the value generated (Clauss, 2017). Based on this definition three core components of a BM are identified: (1) generating value through operational processes

and activities (Value Creation), (2) providing value to clients (Value Proposition), and (3) capturing financial profit from the generated value while considering cost structures (Value Capturing). Qualitative content analysis (Mayring, 2014) is then employed on a total of 15 interviews with consultants. In the following, an overview of the data collection and analysis is presented.

### 3.1. Data Collection

We employ expert interviews (Patton, 2002) with consultants to study the potential impact of GenAI on MCs. A central component in conducting expert interviews is the targeted and justified selection of experts (Gläser & Laudel, 2010). The definition of who qualifies as an expert is ambiguous and depends on the research question and the specific field of action in which the individuals operate (Helfferich, 2011). Therefore, interviewees were chosen using a purposive sampling method (Sekaran & Bougie, 2016) with explicit inclusion and exclusion criteria for participants. As inclusion criteria, (1) all consultants had 1+ years of professional experience in consulting, (2) were actively engaged in a consulting role at the time of the interview, and (3) had a fundamental understanding of GenAI. We employ the concept of content representativeness, based on the notion that respondents are not perceived as individuals, but as group representatives encompassing all the characteristics and aspects under investigation within the sample (Mayer, 2004). Thus, the selection process included experts from various and diverse MCs, with varying levels of seniority among the experts, to reduce potential informant bias (Maxwell, 2012). The experts were contacted directly via email, through personal networks or the professional social network LinkedIn, and interviewees were not compensated for participating in this research. 16 expert interviews were conducted online using Microsoft Teams from February 5, 2024, to August 21, 2024. However, one expert subsequently declined to be included in the study, resulting in a final data set of 15 interviews. The average interview time was 27 minutes and 13 seconds. Interviews were transcribed using fireflies.ai, followed by verification and refinement by the researchers. Originally conducted in German, the interviews were later translated into English for analysis and integration into this study, using the DeepL translation software. After 15 interviews, the researchers were of great confidence that theoretical saturation was reached, as similar items and factors were brought up by different respondents (Miles & Huberman, 1994). Before the interviews, oral consent was obtained by all interviewees and interview recordings were deleted after the transcription. Transcriptions were anonymized to ensure the protection of interviewees and organizations. To ensure comparability (Helfferich, 2014), a semi-structured interview guide was created. The objective was to craft specific and targeted questions while still including narrative-generating statements. The semi-structured guide ensured that the effects on the BM were comprehensively queried, while simultaneously allowing for the opportunity to delve deeper into the individual use cases of the MCs. The construction of the interview guide followed the process of collecting, scrutinizing, sorting, and summarizing questions into categories by Helfferich (2014). As a methodological basis, the BM innovation framework by Clauss (2017) was utilized and additional findings by Tavoletti et al. (2022) on the innovation of BM in MCs through DT are incorporated. Key questions focused on resources such as consultants, cost and time, as well as the potential for future applications, partnerships, clients and revenue streams. Follow-up questions were used to investigate the topics in more detail.

### 3.2. Data Evaluation

For the purposes of this research, qualitative content analysis according to Mayring (2014), using MAXQDA, is employed to analyze the interview transcripts. This method is suitable for systematically extracting research-relevant information from extensive interview material. A deductive approach was chosen as we utilize the existing BM innovation framework by Clauss (2017). During the qualitative content analysis, the category system acts as a systematization tool to structure the material in several iterations (Mayring, 2014). The openness of this evaluation method allow revising and developing further categories during the process. Following the three main steps of the deductive category system (Mayring, 2014), we define categories, anchor examples and coding rules, as outlined in Table 1. Sub-categories were formed through the deductive process. With the review of the interview findings, the decision of further integration of the main category ”Impact Barriers” was made. Two researchers coded a total of 314 coded statements independently. A Krippendorff's alpha of 0.951 indicates very high inter-rater reliability.

## 4. Results

The final data sample consists of 15 experts from 14 different MCs. Although we aimed to obtain an equal number of male and female experts, only two female experts were willing to participate in this study. Table 2 displays the pseudonymized personal and

Table 1. Category system, Main Category (MC), Sub Category (SC), number # of codes

| MC | SC | Definition | Anchor example | # |
|---|---|---|---|---|
| Value Creation | Impact on Key Resources | Effects on critical resources instrumental in creating value for clients. | "It already has an influence on us consultants. It will have even more influence in the future." (E5) | 32 |
| | Processes | Involves establishing and optimising processes. | "Whenever we have to do research, I usually use GenAI." (E5) | 82 |
| | Ecosystem Develop. | Discuss the creation of new collaborations. | "Yes, we have a partnership with a provider whose product we use." (E13) | 18 |
| | Capabilities | The development of new competencies and skills. | " ... have special experience or simply think more creatively than an AI can in order to generate any added value at all." (E4) | 18 |
| Value Proposition | Offerings | Modifications or expansion of provided services. | "If I can automate an entire work step with AI and software, I can of course also offer a different portfolio of services." (E9) | 48 |
| | Clients, Markets | Examines new customer segments or markets. | "I believe that GenAI opens up a whole new market for consulting, namely small and medium-sized companies." (E4) | 15 |
| | Customer Relationships | The dynamics and nature of client interactions or relationships. | "I think the consultant will always be the number one contact. So, the business model is simply too much of a people business for that." (E1) | 24 |
| Value Capturing | Revenue Streams | Examines new pricing models and revenue sources. | "He used to pay for hours in exchange for euros, and now he's more likely to pay for services or somehow go for a subscription model."(E3) | 22 |
| | Main Costs | Main cost drivers of an consultancy. | "I mean, it's a bit of an indirect cost saving if you can plan projects with just a few FTEs." (E2) | 24 |
| Impact Barriers | Technical Aspects | Accuracy, trustworthiness and quality of output. | "And the programs that we use are [...] much worse at addressing customer-specific features." (E13) | 10 |
| | Regulatory Aspects | Legal concerns that impede adoption. | "I can't take a documentation and simply put it into a public model. That would be confidential information." (E11) | 17 |
| | Ethical Aspects | Examines ethical concerns regarding GenAI usage. | "Do I really want an AI to come so close to a human being that at the end of the day the image is the same?" (E10) | 4 |

company-specific information of the interviewees. A diverse range of experts from consultancies of different size, geographical location, and with different levels of seniority were interviewed. The category-specific results are grouped into the three main components by Clauss (2017), depicted in Table 3.

## 4.1. Impact on Value Creation

**Impact on Key Resources:** Experts reiterated that consultants are the most important resource for MCs to create value for clients. The interviews revealed that GenAI can support the consultants in their day-to-day work and create added value. 13 out of 15 experts directly discussed use cases that describe the effect of GenAI on the consultant. Six experts observe GenAI as a support tool for the consultant, especially when generating new content such as "slides and documents". Expert no.4 described, that consultants can create documents "in less time" and "in higher quality" than without AI, while also being able to serve as a "sparring partner". All experts argued that GenAI cannot entirely replace consultants, as they remain the main source of value for their customers. "It will always be a combination of experts and tools" (Expert no.7). Eight experts noted the importance of knowledge management and the potential of GenAI to enable consultants to make use of the existing knowledge within a MC. Such solutions were already integrated in the MCs of four consultants and planned by two other MCs.

**New Processes:** 14 experts had already identified use cases for GenAI in their tasks. The interviews show that MCs differ in their methodological approach towards GenAI regarding their strategic orientation. Two experts from larger MCs reported that they have already formulated their own AI corporate strategy, and five experts explained that they have formed independent AI teams responsible for rolling out GenAI initiatives. Three experts from small MCs described a more experimental approach, focussing on individual use cases. Nine experts reported that GenAI impacts their everyday work processes. 12 experts had active access to public or internal LLMs and described using these models frequently. In addition, two experts described that consultants themselves are encouraged by their MCs to try out GenAI through training and explanatory videos. Six consultants mentioned using GenAI for initial research on new topics, processes, and methodologies. Expert no.6 referred to it as the "googling of modern time". In addition, experts reported that GenAI is used for various routine tasks, to increase efficiency, in order to focus on more value-adding work. Use cases include proofreading and summarising texts (one expert), translating (two experts), as well as organizing and formulating key points and emails (six experts). Furthermore, three

Table 2. Sample Database

| Company | Interview No. | Company Size (# employees) | Position Level | Gender | # years experience | Field Expertise of experts |
|---|---|---|---|---|---|---|
| A | 1 | 11-50 | Principal | Male | 3 | Strategy |
| B | 2 | 1.001-5.000 | Manager | Male | 4 | Marketing |
| C | 3 | 51-500 | Partner | Male | 12 | AI and Innovation |
| D | 4 | 1-10 | Founder | Female | 4 | Innovation |
| E | 5 | 25.001-50.000 | Senior Consultant | Male | 6 | IT Security |
| F | 6 | 11-50 | Founder, Partner | Male | 14 | Strategy |
| G | 7 | 1.001-5.000 | Principal | Male | 9 | Innovation |
| G | 8 | 1.001-5.000 | Consultant | Female | 3 | Innovation |
| H | 9 | 11-50 | Manager | Male | 5 | Technology |
| I | 10 | 1-10 | Founder, Partner | Male | 15 | Strategy |
| J | 11 | 250.001-500.000 | Senior Consultant | Male | 4 | AI and Data |
| K | 12 | 5.001-10.000 | Senior Consultant | Male | 5 | Financial Services |
| L | 13 | 10.001-25.000 | Manager | Male | 7 | Strategy |
| M | 14 | 10.001-25.000 | Senior Consultant | Male | 6 | Strategy |
| N | 15 | 250.001-500.000 | Senior Consultant | Male | 1 | IT Security |

experts use GenAI to create images, and one expert mentioned that the generation of videos could be used for future projects. Two experts use GenAI for programming tasks, one expert to support analyses in Microsoft Excel, while others mentioned presentation development, contract drafting, and project planning.

**Development of the Ecosystem:** Expert no.11 explained that professionals at large technology companies possess strong AI-related knowledge, but often lack a deep understanding of the specific business requirements and challenges of their customers. Another expert described that MCs adapts this technical know-how towards business goals and problems. The technology's advancements in GenAI are therefore enabling MCs to secure new projects with GenAI creators themselves. Four experts reported that their MCs also purchased access to LLMs for internal use. Moreover, three other experts explained that their MC is planning to deploy their own internal models, based on existing LLMs. In addition, one expert described regular meetings with technology companies to discuss new developments and technologies, such as GenAI. While larger MCs were found to partner with big tech organizations, experts from smaller MCs reported testing start-up solutions but found those as not yet being of sufficient quality to be integrated directly into the consultancies processes (two experts).

**New Capabilities:** Two experts argued that customers perceive GenAI as an essential trend, therefore MCs and their consultants must acquire new competencies. With the increased usage of GenAI, the role of the consultant could also change. Experts no.8 and 15 pointed out that the potential change in everyday working life due to GenAI could reduce the need for young consultants, and that knowing how to use GenAI will become a prerequisite. Instead of young consultants from the university, the need for experienced people "from the industry" could increase, as they provide insider knowledge that current models do not possess. Training sessions are already being conducted to point consultants to potential new application areas. In addition, expert no.14 reported that their consultants conduct internal demonstrations and training by presenting use cases and best practices, such as formulating effective prompts. Moreover, one MC has introduced an "AI driving licence", a certificate on conducted training on safe GenAI usage, while another MC offered training videos.

## 4.2. Impact on Value Proposition

**New Offerings:** Several experts argued that MCs are not to be become pure technology providers and that MCs will remain a "people's business", as costumers would "prefer to involve another human" (expert no.3). However, the expert could also imagine developing more software-based consulting services, a shift from "people-based to asset-based consulting". Moreover, the integration of GenAI is a new strategic topic for many MC customers due to its wide range of applications. According to seven experts, GenAI is therefore an important technological trend that aids in acquiring new projects. As a result, MCs are addressing strategic questions and operational issues such as process improvements from their clients. Seven experts argued that in particular processes that can be automated, such as the implementation of a project management office (PMO) will be carried out by GenAI, meaning that demand for such services, for MCs, will decrease. To compensate for these changes, new

GenAI-based products need to be created (expert no.7). Expert no.3 argued that the development and support of products over multiple years is neither a MC core competence, nor will it generate revenue immediately.

**New Customer Segments and Markets:** Six experts directly addressed that MCs cannot conquer new customer groups or markets through the use of GenAI. In contrast, six other experts mentioned that new customers could potentially be acquired through efficiency gains that could result in lower cost, resulting in a "democratization of consulting services" (expert no. 9). Even though consultancy services were deemed as price-insensitive by some experts, others argued that more cost-efficient services could attract new clients, for instance small and medium-sized companies, that cannot afford the currently offered services. Such new customers could be served through GenAI based software-solutions with limited human effort.

**New Customer Relationships:** While experts agreed that GenAI will likely affect the consultant-client relationship, ten experts argued that the human consultant will remain essential for client communication and joint interaction with the customer, especially for complex problems and strategic decisions. For this assessment, five experts cited trust as the essential factor. They argued that trust in the solution presented by the consultant to the client is significantly higher than trust in a solution generated solely by an AI. Five experts reported interpersonal collaboration, availability and accountability as essential and decisive factors for customers. With the automation of routine tasks, customer interaction is likely to increase in the future. This change in relationship will also come with higher expectations of clients as they become aware of the capabilities of GenAI (expert no. 7). In addition, GenAI creates new possibilities for customer interaction. Expert no.9 mentioned a chatbot designed to retrieve essential information, instead of conducting face-to-face surveys, for customers to be used once a project is completed.

## 4.3. Impact on Value Capturing

**Changed and New Revenue Streams:** Eight experts mentioned that the traditional pricing structure for clients, the billing of consultant days, will continue to exist with GenAI. However, the experts also saw potential changes, and the creation of new sources of income, that could impact the industry's pricing and billing models. Nine experts described that an increase in efficiency could lead to lower costs and increased margins, as fewer consultants are needed per project. However, one expert argued that future efficiency gains are not guaranteed and their effect on margins and future pricing therefore opaque. Furthermore, an expert indicated that it is crucial to consider the extent to which customers are aware of this increase in efficiency, which could necessitate price adjustments. Two experts also mentioned that if GenAI can create valuable solutions for the customer, and a consultant's time is no longer decisive for creating client value, time-based billing will also need to adapt. This could then lead to the establishment of outcome or performance-based billing. On the other hand, one expert pointed out that MCs already generate a proportion of their revenue by implementing their own software solutions. According to three experts, developing GenAI-based products and implementing them for customers could, therefore, also lead to additional revenue streams. Licensing and recurring subscriptions could supplement the traditional "on-off business" of project work.

**Impact on Costs:** Seven experts described that the most significant costs in MC are the personnel costs of consultants. No expert stated that consultants have yet been replaced by GenAI, which is why no large-scale effect on costs through GenAI has been observed. However, eight experts indicated potential effects on personnel cost due to efficiency gains, if consultants can take on several projects, or smaller teams are required to complete projects. The experts' opinions on the extent of price effects varied. While one expert explained that he assumes that "one hour per week is saved", expert no.4 stated that "the work currently carried out by consultants can be done by one-tenth of the consultants". While the use of GenAI applications come with additional software and potentially hardware-related costs, five experts also discussed opportunities for cost reduction through GenAI in support departments and administrative bodies. Two experts explained that there is potential for activities such as presentations and video creation for clients, which are currently carried out by internal teams, to be taken over by GenAI in the long term. This would result in support teams focusing on tasks that GenAI cannot handle or fewer employees.

## 4.4. Impact Barriers

**Technical Aspects:** The previous section outlined that GenAI is already used in MCs today. However, the interviewees also noted several concerns that hinder increased usage. One expert highlighted the inadequacy of GenAI in capturing and adequately responding to complex, customer-specific questions. Another expert mentioned that GenAI currently reaches its limits when it comes to adapting to the unique circumstances of a customer, due to the lack of contextual information.

**Table 3. Findings**

| MC | SC | Findings |
|---|---|---|
| Value Creation | Impact on Key Resources | Increase the efficiency and quality of consultant's work |
| | | Optimization of knowledge management ensures improved access to resources |
| | New Processes | GenAI optimizes individual workflows and supports routine processes |
| | | Personal contact remains crucial in customer interaction and project work |
| | Development of the Ecosystem | Value add through translation of technical knowledge into business context |
| | | Partnerships and network with large technology providers and startups |
| | New Capabilities | Building consultants' understanding of utilization and use cases |
| | | Integration of further education, certifications, and trainings for consultants |
| Value Proposition | New Offerings | Interpersonal interactions remain crucial, standardized process get automated |
| | | Development of new products and enhancing existing services with generative AI |
| | New Customers and Markets | Consulting services are high-priced and quality-driven |
| | | Access new price-sensitive customer groups, e.g., small and medium-sized enterprises |
| | New Customer Relationship | Consultant-customer interaction is essential for trust and customer relationship |
| | | Increased client expectations regarding the performance of consultants |
| Value Capturing | Changes and New Revenue Streams | Traditional revenue model likely to remains in place |
| | | Potential to adopt performance- or outcome-based billing models |
| | | Development of new products enables new licensing revenues |
| | Impact on Main Costs | Efficiency gains allow consultants to manage multiple projects, or require smaller teams |
| | | Opportunities to reduce costs in support departments |
| | | Investments in generative AI and the formation of internal AI teams increase costs |
| Impact Barriers | Technical Aspects | Lacking the depth and nuance needed for tailored customer solutions |
| | | "Hallucinations" necessitates consultant oversight |
| | | Lack of trust in technology and AI-generated output |
| | Regulatory and Legal Aspects | Storage of sensitive internal and client data in public models |
| | | Accountability and transparency in and about AI output are crucial |
| | | Legal restrictions require human oversight of AI processes |
| | Ethical Aspects | Balance between GenAI benefits and concerns of replacing humans by AI |

In addition, hallucinations, the problem of generating incorrect or misleading information not supported by data (Alkaissi & McFarlane, 2023), were mentioned. Expert no.9 explained that those cannot yet be prevented entirely. In addition, four experts stated that such errors require thorough human review to ensure that the final recommendations and content are accurate and useful. Quality control remains a crucial step in the process for harnessing the potential of AI, which hinders the automation of processes. Concerns about the reliability of AI-generated recommendations for action were also frequently mentioned. Four experts explained that customers and consultants must weigh how much they can trust the generated answers, especially when making crucial business decisions.

**Regulatory and Legal Factors:** Experts also raised legal and regulatory questions. One aspect concerns the handling of publicly accessible LLMs, which could potentially result in the storage of sensitive customer and internal data. Expert no. 11 described the "AI driving license", as a potential measure to ensure that employees possess the necessary knowledge and skills to handle AI applications responsibly and not negligently enter sensitive data from MCs and customers into external models. Another solution that large MCs have already implemented is using their internal LLMs. Furthermore, expert no.2 argued that it is becoming increasingly difficult to differentiate between human and AI-generated content. As a consequence, two experts stated that in future, AI-generated solutions adopted by MCs should also be made recognisable to customers in presentations and expert 15 stated that his MC already needs to disclose the usage of GenAI to its clients. Finally, expert no.11 pointed out regulations that prevent fully automated processing by GenAI in certain areas without human review. This is crucial in sensitive regulatory fields where errors could result in legal consequences. These regulations emphasize the need for human oversight to maintain compliance and prevent legal issues. It could be observed that specifically management consultants with a focus on IT security and finance depicted regulatory factors such as accountability to be crucial with respect to GenAI, given the potential threat and damage to reputation and clients in case of mistakes (expert no.15).

**Ethical Aspects:** Lastly, expert no.10 mentioned that GenAI could replace humans and touched on the notions of identity and the value of human labour.

Hence, it is crucial for MC to assess whether such a development is desirable. The need for human imperfections that enrich life and give it meaning contrasts with the perfection that AI could achieve in the future and emphasizes the importance of mistakes and learning processes as essential parts of the human experience. The expert described that a world in which many things are automated and perfected by GenAI runs the risk of losing the ”salt in the soup” that makes life tasty and worth living. According to the expert, the discussion about GenAI use in MC and beyond must also reflect profoundly on values and goals. In addition, expert no.13 pointed out that the leading LLMs were trained with a large amount of internet data, which introduced biases that are already discussed in academic literature. Therefore, it will become critical for MCs to assess whether and which biases are presented in the applications used, and how they could be mitigated.

### 4.5. Discussion of the Results

The results demonstrate that experts perceived various influences of GenAI on the BM, affecting value creation, value proposition, and value capturing. As the consultant remains the key resource in MC, in the long term, substantial increase in revenue for MCs in the classic BM is only possible with more consultants or increased productivity. GenAI could impact scalability if it makes consultants significantly more productive, or if parts of the service are decoupled from the consultant. The interviews depict that many consultants have already integrated GenAI into their workflow, taking over routine tasks, conducting research, and creating presentation frameworks. Significant discrepancies in the degree of expected productivity gains were noted by experts, with only limited research attempting to quantify them (Dell'Acqua et al., 2023). To establish productivity gains with GenAI, consultants will need to acquire new skills. The results suggest no significant differences in the willingness to use GenAI between individuals with different levels of experience. Some MCs already offer training and education sessions. Such measures could also help mitigate the identified technical, ethical and regulatory issues. Apart from assisting with less-strategic tasks, GenAI is identified to strongly support knowledge management in MCs, their second key resource, by making knowledge more readily available. The interviews reveal that MC is referred as a people business, even if GenAI can take over or support specific tasks. The consultant is still seen as an essential contact person for clients, that also coordinates project results, establishes trust and drives sales. The relevance of strong customer involvement in MCs is also shown by studies demonstrating that collaboration with customers is crucial for project success (Bronnenmayer et al., 2016). Thus, it becomes apparent that GenAI is likely to support consultants, while there remain essential activities in the traditional BM that are strategically left in the hands of humans. However, it is seen that this human-AI collaboration is not limited to MCs, as their clients will also experiment with GenAI, leading to rising expectations, and competition, for MCs. These factors could lead to substantial changes in the BM, i.e. by decreasing the need for junior consultants and the offering of new software-based products to attract smaller companies as clients. The findings further suggests that by offering GenAI products, customers can benefit from MCs' knowledge at a lower cost. Such licences software services could lead then lead to subsequent or additional projects. At the same time, virtualization also has disadvantages that need to be considered. This includes potentially weakening the consultant-client relationship, as well as IT security and data protection issues (Nissen, 2018). Additionally, internal consulting cost models could also need to be adjusted, as one consultant could take on several projects with the help of GenAI, or fewer consultants would be needed for an external project, thanks to GenAI solutions. The interviews show that the use of GenAI has not yet led to any direct cost reductions, as the current effects are still negligible. For that reason, the experts tend to see an increase in costs, especially in the short term, as investments have to be made for GenAI solutions and their integration in MCs. It also became apparent during the interviews that the majority of experts assume that the existing time-based pricing structure of the MC company will remain in place.

**Research Contribution and Implications:** The objective of this work has been to provide a first assessment on the impact of GenAI on management consultancies through an explorative approach. Thus, it contributes to the limited existing research on the topic of digital transformation of MC by showcasing what impacts experts observed and expect in their daily work environment through said technology. The results depict that GenAI can support the classic BM through personalized assistants or enhanced knowledge management, and that proprietary GenAI applications can even expand existing BM. In addition, concrete examples from practice are given of how GenAI can influence value creation, proposition and capturing. We hereby derive a comprehensive set of categories and subcategories and show how GenAI may impact each one, providing a distinct theoretical contribution to the field.

As a practical implication, this research should sensitize MCs to the fact that GenAI will not only change their customers' business but also impact their own BM. GenAI has the potential to significantly impact costs and revenue streams, as well as expand the current BM towards software-based consulting. At the same time, the limitations of the technology need to be considered. GenAI should therefore be a topic of strategic importance for MC. Partners and managing directors should consider technological possibilities, capabilities, and limitations and evaluate them strategically. Consultants should not compete with AI, but rather use it to achieve productivity and quality gains. Instead of being a threat, GenAI has the potential to be an enabler by supporting consultants in their day-to-day work and giving them more time to do creative and value-adding tasks. MCs must ensure that consultants are empowered to use the technology effectively. To do so, trainings for consultants on how to use the technology in a targeted and safe manner while remaining aware of technical, ethical and regulatory hurdles are a valuable option.

### 4.6. Limitations and Future Research

Several limitations that serve as opportunities for future research are identified. This qualitative study focuses on MC and has gathered data from the consultant side only, thus no insights and reports from the client side are considered. Interviews were limited to 15 German-speaking expert, a majority of which have been male. While the qualitative approach chosen naturally does not aim to formulate statistically representative statements, we aimed to anonymously sample respondents from different consultancies, of different size and with differing seniority. The interview process was stopped once theoretical saturation could be observed. Future research could improve upon this study by using quantitative and mixed-methods approaches to investigate the topic in greater detail. This would be beneficial in quantifying the impact that GenAI might have on MCs, and observe differences between specific fields of consulting, such as finace or IT-security. From a theoretical perspective, the socio-technical system that is the interplay of consultants, clients and GenAI applications is identified to be a worthwhile avenue for future research.

## 5. Conclusion

This exploratory study examined the influence of GenAII on the business model (BM) of management consultancies (MCs). To this end, a specific category system was deductively derived to analyze impacts on the BM based on the innovation framework of Clauss (2017). We derive multiple sub-categories for value creation, value proposition and value capturing in MCs that are impacted by GenAI. Fifteen expert interviews were conducted and analyzed using qualitative content analysis, following Mayring (2014). The interviews demonstrate that GenAI impacts MCs in all three areas of value creation, value proposition, and value capturing and will likely continue to do so, with technological improvements and MCs searching for new use cases. The results indicate that GenAI are currently primarily used for two tasks in the value chain of MCs: to serve as an assistant by taking over routine tasks, such as creating templates, performing analysis and administrative work, and to significantly improve the knowledge management in MCs. While the most important resource in MCs, the consultant, will remain indispensable, their work will shift towards more value-creating and creative tasks. Industry-specific knowledge and project experience could be sold as a software product, creating new business processes and revenue streams, which could however pose a challenge to the traditional "people's business" that still relies on interpersonal trust. While changes in cost are deemed to be limited, smaller companies could be served as a new market through cheaper software solutions. Technical, ethical and regulatory factors were identified as new challenges in the usage of GenAI in the field.

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