Purposeless Efficiency

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A unique field of economics was developed in 1944, which sought to quantify and algorithmize strategic interactions by analyzing their components and playing with them as if the interaction were a game. The aptly named Game Theory, invented by John Von Neumann, has revolutionized the way we approach strategy, serving as a rigorous base for other branches of economics, like Industrial Organization Theory, Auction Theory, and even the recently-developed Behavioral Economics.

The invention of Game Theory brought about an overall zeal for quantitative strategic analysis. In the immediate post-WW2 era, game theory gained traction at institutions like the RAND Corporation, where it was used to analyze nuclear deterrence and military strategies during the Cold War, emphasizing probabilistic and optimization-based models over qualitative intuition alone. The enthusiasm spread to biology in the 1970s through John Maynard Smith's *evolutionarily stable strategy*, quantifying natural selection and animal behaviors like altruism and conflict, which revolutionized evolutionary biology with mathematical rigor. Similarly, in business and finance, game theory's strategic frameworks—such as *Nash equilibria* for pricing and negotiations—fostered quantitative analysis in decision-making, risk assessment, and market interactions, as evidenced by its integration into modern corporate strategy and financial models.

Alongside Game Theory came a general enthusiasm for not only quantitative strategic analysis, but generally principled strategic analysis. Strategic decision-making based on sense and intuition was becoming a thing of the past. In 1947, Herbert A. Simon introduced the concept of organizations as decision processes, highlighting the evaluation of alternatives under uncertainty, which laid the groundwork for bounded rationality by 1955—focusing on satisfactory solutions based on available data rather than unattainable optima. This era also saw Irwin D.J. Bross's 1953 statistical decision models, which stressed data quality, risk minimization, and game theory applications, reflecting early enthusiasm through the integration of quantitative tools like expected profits maximization in administrative and group decisions. By the 1960s, enthusiasm grew with the systematization of decision-making processes, including Simon's classification of problems as structured or unstructured in 1960, and tools like decision trees, flow diagrams, and SWOT analysis (introduced by Learned et al. in 1969). The 1970s and 1980s accelerated this trend with computer-aided methods and the Information Age, where tools like the Analytical Hierarchy Process (AHP) by Saaty and Decision Support Systems (DSS) enabled multi-level, data-driven decisions in unstable environments. Kahneman and Tversky's 1979 prospect theory introduced principled analysis of decisions under risk, while studies on environmental scanning (e.g., Porter and Millar in 1985) highlighted information's role in competitive advantage, evidencing growing reliance on objective evidence amid complexity.

Alongside the development of game theory, grew the consulting industry, with a value offer of providing rigorous external strategic analysis and advice — for decision-making, operations streamlining, industry forecasting, and business problems otherwise. Firms like McKinsey &

Company, under Marvin Bower's leadership in the 1950s–1960s, professionalized the field by emphasizing diagnostic frameworks for industry outlooks, management effectiveness, and future planning, effectively pitching consultants as indispensable partners in solving enterprises' most pressing problems amid rapid globalization and technological shifts. This parallel evolution is evident in the 1960s "strategy revolution," where consulting firms industrialized analytical approaches inspired by wartime systems analysis and economic theories, including game theory's emphasis on interdependent interactions and competitive scenarios. The Boston Consulting Group (BCG), founded in 1963, introduced quantitative tools like the experience curve and growth-share matrix to guide resource allocation and market positioning, mirroring game theory's focus on predicting outcomes in multi-player environments and helping businesses forecast industry dynamics and streamline operations. By the 1970s–1980s, as game theory gained prominence through works like Michael Porter's Five Forces (1979), which incorporated competitive rivalry and bargaining power, consulting firms like Bain & Company (founded 1973) shifted to ongoing advisory models, offering predictive advice on mergers, pricing, and negotiations to address clients' strategic dilemmas.

But, fast-forwarding to today, consulting doesn't seem to operate under the premise of "rigorous, expert advice" anymore, especially as our strategic theory has improved alongside our academic talent and integrity. The issues with the consulting industry can be summed up in the three Ps: people, practice, and presentation.

People: consulting firms like McKinsey still hire a large number of recent graduates from top schools, who usually have little to no expertise in any of the fields they proceed to advise on, and still rely on extremely basic problem-solving frameworks (like MECE, BCG's growth-share, or hypothesis-driven analysis) when more advanced and rigorous structures exist (like complex adaptive systems, machine learning-integrated decision models, or dynamic simulation tools). McKinsey anticipates a 12% increase in overall hiring for 2026 compared to 2025, with 15-20% long-term growth targeted for non-partner roles, prioritizing fresh talent over seasoned experts, even as surveys (like those from www.intelligent.com) reveal over half of hiring managers view recent graduates as unprepared for the workforce. Hiring of these unqualified undergraduates is also heavily based on their individual networks — so much so that the first advice an aspiring consultant typically receives is to reach out to recruiters at top firms and make connections. Management Consulted, a popular preparatory firm for landing consulting jobs, offers an online "Ultimate Guide" to networking in consulting, in which they state:

> *Networking is not just an added advantage—it's a necessity.*
>
> *While it is technically possible to break into consulting without extensive networking, doing so is significantly more challenging and less likely to yield success.*
>
> *Reaching out to consultants and securing referrals can be the difference between getting noticed and getting lost in the application void.*

Practice: consulting firms do not follow science's imperative of honesty and accountability for failure. Consulting firms shift the blame for their mistakes onto the firms they advise, arguing those firms actually failed because they did NOT follow the advice perfectly, and consulting firms also take credit when company growth was completely unrelated to their advice or even was in spite of it.

McKinsey's work with Enron in the 1990s promoted aggressive accounting and risk-taking that contributed to the company's 2001 collapse, yet the firm distanced itself by noting Enron's deviations from advice, despite internal documents showing McKinsey's deep involvement in strategy formulation. In distancing itself from the scandal, McKinsey issued statements emphasizing limited scope and Enron's non-adherence to recommendations; for instance, a spokesman told The Wall Street Journal in 2002 that "In serving Enron, McKinsey was not retained to provide advice to Enron or any Enron-affiliated entity with respect to any financial or accounting matters," while Managing Partner Rajat Gupta asserted that the firm "did not do anything that is related to financial restructuring or disclosure or any of the issues that got them into trouble." The firm also consistently denied having any suspicions of improper accounting methods and, regarding specific divisions like broadband, noted that while they "contributed greatly to the early establishment," once momentum built, "most of their ideas were ignored in favor of current Enron management directives," portraying Enron's collapse as a result of deviations rather than inherent flaws in McKinsey's strategic guidance. Despite these denials, evidence of McKinsey's deep involvement in strategy formulation is substantial, including the placement of 5-15 consultants at Enron's Houston headquarters, a senior partner (Richard Foster) attending at least six board meetings between 2000 and 2001, and the migration of dozens of McKinsey alumni to key Enron roles, such as in networks and broadband divisions. Public McKinsey documents, such as articles in the McKinsey Quarterly from 1997 and 2001, lauded Enron as an innovative model for "attacking traditional industry structures" and favorably described its use of off-balance-sheet financing—precisely the mechanism abused in the fraud—while books like The War for Talent (2001) by McKinsey consultants cited Enron as a prime example of effective incentivization, underscoring how the firm's intellectual frameworks were embedded in Enron's core strategies even as they enabled the risky behaviors leading to its downfall.

HealthSouth Corporation, once the largest U.S. provider of outpatient surgery and rehabilitative services, collapsed in 2003 after a massive accounting scandal where executives, including founder Richard Scrushy, inflated earnings by over $1.4 billion (later estimates reaching up to $4 billion) through fictitious entries and overstatements from 1996 onward to meet Wall Street expectations, leading to SEC charges, executive firings, and a near-bankruptcy crisis. Alvarez & Marsal (A&M) took credit for the firm's recovery by highlighting their role as post-scandal restructuring advisers in case studies and public narratives, claiming their cost-cutting, asset sales, and crisis management strategies were pivotal in stabilizing operations, restating financials, paying off debts like $344 million to bondholders, and relisting on the NYSE by 2006. However, the

recovery appears less attributable to A&M's interventions and more to the inherent solidity of HealthSouth's core businesses amid a broader healthcare market rebound post-2003, including favorable economic conditions, government reimbursements, and industry growth that naturally supported debt repayments and profitability gains independent of consulting efforts.

Presentation: consulting firms have a peculiar emphasis on theatrics. Consultants are notorious for their managerialism and overall corporate manner. Typically, this kind of behavior is not only a cover for empty analysis, but actively gets in the way of clear communication with clients. In order to seem prestigious and intelligent, consulting firms attempt the ultimate boast: they flaunt their obscure language, their ivy-league hires, their infallibility and endless correctness, their PowerPoint expertise, all in an attempt to seem intelligent — with no real substantive backing to this image.

With the advent of AI, the efficacy of the consulting industry is being tested. Firms like Xavier AI promise to destroy the consulting industry by automating it completely, and top consulting firms are massively laying off workers as marginal productivity skyrockets (i.e. one consultant can now make more PowerPoints). But no firm is actually fixing the core issue within consulting, which lies in the complete misalignment of the consulting business model itself. Consulting firms are outright no longer offering expert external advice. They are wrapped up in their own prestige.

How did the industry end up this way? Well, the industry's condition seems to be the result of a distinct firm-side shift: a shift to purposeless efficiency. If we table out efficiency and inefficiency against purposeful and purposeless intentions, we see four possible states of an industry.

	Efficiency	Inefficiency
Purposeful	Well-structured, driven industries.	New industries, with young enthusiasm.
Purposeless	Gamified, self-perpetuating industries.	Dying industries, with little hope for recovery.

By purposeful and purposeless I mean specifically whether an industry is structured to produce value aligned with the value offer the industry was founded upon (i.e. focus). By efficiency and inefficiency, I mean the speed and effectiveness of firms in the industry in executing their own directives.

Industries of purposeful efficiency are ideal: they are those where firms' directives are in alignment with the core value offer of the industry, and those directives are pursued in firm and industry-wide systems that are quick and effective at serving the core value offer to clients. Clients are getting what they signed up for by trading with firms in the industry, and firms serve quickly and with quality.

Examples of purposeful efficiency include most big business (especially big tech), which have honed their hiring, management, and production into states of extreme efficiency, maintaining a level-headed focus on creating value for customers. As they compete with their counterparts, they

make sure to always have the customer in mind, vetting every change through the lens of consumer welfare.

Industries of purposeful inefficiency are promising: they are usually young and small, with a clear goal, but in need of developing a business and industry-wide structure to execute on that goal consistently and reliably.

Examples of purposeful inefficiency include most startups, which are at the advent of their creation, and thus are small, concentrated in mission, but simply lacking the might to — if harnessed correctly — consistently deliver on their value offer. These are firms in need of funding and growth, which will come with time, as they are purposeful and driven to realize their mission. If they stay ambitious and perseverant in their pursuit, they will eventually scale and streamline, and depart from this category.

Industries of purposeless inefficiency are wretched: they are industries where firms follow a model that is not aligned with the original value offer of the industry, and obscure every task thoroughly with highly inefficient execution procedure.

Examples of purposeless inefficiency include bloated government organizations, which usually do not pursue goals in alignment with voters' motivations, and are layered with bureaucracy, adding as many checks, clearances and compliances as possible between task and execution, to allow as many people as possible to profit off of reliable tax revenue along the way. It is nearly impossible to find industries of purposeless inefficiency in a capitalist economy, because the combination of misalignment with clients' desired value and the inability to effectively produce leads to quick unprofitability and collapse — and firms know this, so actively work against a transition to purposeless inefficiency. It is only a government institution, which maintains its functioning through the brute force of the police and military, and cannot be weeded out by the efficient markets of capitalism, that is able to sustain itself in this state.

Industries of purposeless efficiency are deceptive: they are massive and extremely efficient, but produce value completely unrelated from the core offer of their industry, and do not serve clients adequately as a result. In this way, industries of purposeless efficiency are highly gamified: they set out clear rules for success, and ways that individuals and firms can rise, but this success seems to be only for the sake of success. The clients become secondary, convinced to buy on a value offer that doesn't actually exist, as the industry has gotten lost in a dance with itself. Purposeless efficiency can be hard to notice, because internally and externally, the cogs of the industry's firms seem to be oiled well, even though those cogs fuel production completely misaligned with the value the industry was founded upon. Clients can fool themselves into believing they have received real value (especially if they've spent an insane amount of money on the product or service), but only for so long. Eventually, there comes a point of reckoning, where clients either stop buying, or the industry has to be shifted back into alignment.

Consulting is currently an industry of purposeless efficiency. It lays out a game to applicants and employees, allowing them the opportunity to pursue a prestigious, high-paying job that releases all kinds of corporate ladders. Yet, this allure of status and upward mobility masks a profound detachment from the industry's foundational promise: delivering rigorous, expert strategic advice to solve genuine business challenges. Applicants are funneled through a ritualistic gauntlet of case interviews and networking events, where success hinges not on domain knowledge or innovative thinking, but on mastering performative scripts, polished resumes, and elite connections — turning recruitment into a high-stakes game of social signaling rather than a meritocratic evaluation of advisory potential. Once inside, employees ascend via billable hours, client schmoozing, and internal politics, churning out recycled frameworks and jargon-laden presentations that prioritize the illusion of precision over actionable insights, all while firms chase market share through aggressive upselling and fad-driven services. Clients, lured by the prestige of partnering with blue-chip names like McKinsey or BCG, often receive superficial analyses repackaged as bespoke wisdom, with blame for failures deflected onto "implementation gaps" and credit for successes claimed irrespective of true impact. This self-perpetuating cycle erodes the core value offer, transforming consulting into a theater of mutual deception where efficiency serves internal hierarchies and revenue streams, not client transformation — but mounting scandals, AI disruptions, and client disillusionment now force a reckoning.

Industries of purposeless efficiency are a golden opportunity for entrepreneurship, as they prove the existence of a core value offer desired by a large market, yet have moved away from providing that value to the market by sheer imprudence. These kinds of industries have money driven towards them based on sales emphasizing that core value offer, but only once clients spend that money do they realize how different the product of dominant firms truly is from their desired result. Quite simply: firms' efficiency shows the massive demand of the value offer, and firms' purposelessness shows how big of a gaping hole (i.e. opportunity) exists in the supply of the value offer. An entrepreneur should jump immediately at this kind of an opportunity, because it effectively proves the existence of a billion-dollar idea that doesn't currently exist (as it has been left behind). All an entrepreneur would need to do, therefore, is step in and propose a brand-new business model (or even, more ambitiously, industry model) that is realigned with the core value offer.

How does an industry drift into purposeless efficiency? It's not entirely clear, but it seems to be indicative of overall industrial decay. It's not a systemic failure of capitalism, but the result of bad entrepreneurial management, and a common mistake of today's business leaders. When a firm discovers a new "blue ocean" (i.e. invents a new industry), that firm and industry (as the firm is the industry) exists in *purposeful inefficiency*, as it is rapidly growing and streamlining to most effectively satisfy market demand. Once the firm has adequate capacity to satisfy market demand, it then seeks to streamline the process of satisfaction, to improve current customer experience and make it easier for new potential customers to transition into buying. The firm will attempt to reach *purposeful efficiency* as closely as possible. However, a key advent of the industry at the point

where purposeful efficiency can be achieved will be that of competition, as other firms enter, copy and improve the revolutionary firm's ideas and procedures in an attempt to capture the market. It is in this competition itself that firms can make a grave mistake, and become disconnected from their customers. When firms compete in an industry, their primary focus may shift away from their consumer, towards purely beating their opponents: victory over value. Slowly, firms blinded by competition lose their focus and the product delivered to consumers decays, as mimetic one-upping takes precedence over alignment with the industry's core value offer. This, over time, drifts an industry into *purposeless efficiency*. Unless this industry fixes itself or is fixed by a new firm entrant, consumers will eventually begin to realize how misaligned the firms are with the industry's core value offer, and will stop buying. This lack of revenue will begin to impede the functioning of the industry, rot its supply chains, and shift the industry into *purposeless inefficiency*, and quickly, complete collapse.

Groupon pioneered the online daily deals industry in 2008, creating a "blue ocean" by leveraging group buying to connect local businesses with consumers through time-limited, deeply discounted vouchers, initially focusing on rapid expansion to new cities and deal categories to meet surging demand during its purposeful inefficiency phase of hypergrowth, reaching 35 million users and a $12.7 billion IPO valuation by 2011. As it matured, Groupon streamlined its platform with mobile apps, personalized recommendations, and merchant tools to enhance user experience and ease adoption, approaching purposeful efficiency while dominating the nascent market. However, competitors like LivingSocial and hundreds of clones flooded the space, shifting focus to aggressive price undercutting and commission battles (Groupon taking 50% of revenue), which disconnected firms from core value—sustainable deals for merchants and quality experiences for customers—leading to merchant burnout from unprofitable promotions and customer "voucher fatigue" from spam and low-value offers, marking entry into purposeless efficiency as the product decayed amid mimetic rivalry. Consumers and merchants increasingly recognized the misalignment, with a 2014 Harvard study showing many deals failed to build loyalty due to high fees and poor repeat business, prompting widespread abandonment; this revenue shortfall triggered operational inefficiencies like failed pivots (e.g., Groupon Goods competing unsuccessfully with Amazon), massive layoffs (2,700 employees in 2020), quarterly losses ($20 million in Q1 2020), and a stock plunge from $70 to under $20 per share, setting the industry on a path of purposeless inefficiency and near-collapse, with Groupon's valuation dropping to about $515 million (less than 5% of its peak) and acquiring rivals like LivingSocial for $0, though the sector persists in a diminished, niche form without a major new entrant fully reviving it.

As a side note, an intriguing fact of competition is that it holds the same capability to distract as described above even in faculties outside of business. Take activism, for example, which has grown obsessed with competition over substance. Whereas original activistic movements centered themselves around extremely significant or systemic issues (women's suffrage, civil rights, etc.), modern activistic movements seem to be focused on outcompeting each other in activist-ness, even when there is no issue at hand. Take "cultural appropriation," for example, where activists will cry

in terror at an individual using the dress or practices otherwise of another culture, accusing that individual of having stolen, dirtied, or colonized the culture by engaging with it. Most of the time, the activists crying wolf are not even members of the demographic they attempt to protect: and the members of that demographic don't need protection, as they don't have an issue with the alleged appropriation; to them, it is a wonderful opportunity to have a high-end figure participate in their culture, whether they recite or present their traditions wholly accurately or not. This mismatch between activists and their subjects occurs because the activism no longer is in actual pursuit of protecting victims: it has turned into a social contagion of collectivism and conformity, as individuals compete to conform most to the ideal activist, screaming as loud as they can and blaming more and more of what they see as systemic, abhorrent injustices — and the real victims are completely lost in this degeneracy.

In this way, purposeless efficiency is a key indicator of the decline of an industry — but a decline that is a fault of the firms, not the market. It is a deviation that results from competitor-focused competition, instead of customer-focused competition.

The consulting industry has lost its way, and has deviated significantly from its core value offer of expert external advice. But automating the industry with AI won't help us fix this issue, even if it trims some of the fat. The issue is with how the consulting business model itself is structured, and in order to fix the problem comprehensively, we need to take the entrepreneurial, revolutionary approach. We need to propose a new, visionary model to how the consulting industry should function, and pursue it relentlessly to make it a reality.

So, what is this new, visionary model? Well, if we re-examine the issues with the consulting industry, the model will make itself quite clear.

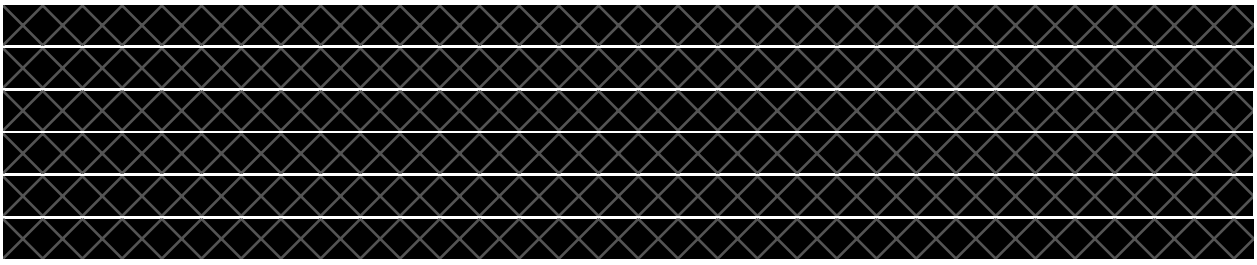
Hiring: consultants are not hired on skill, but on network and conformity.

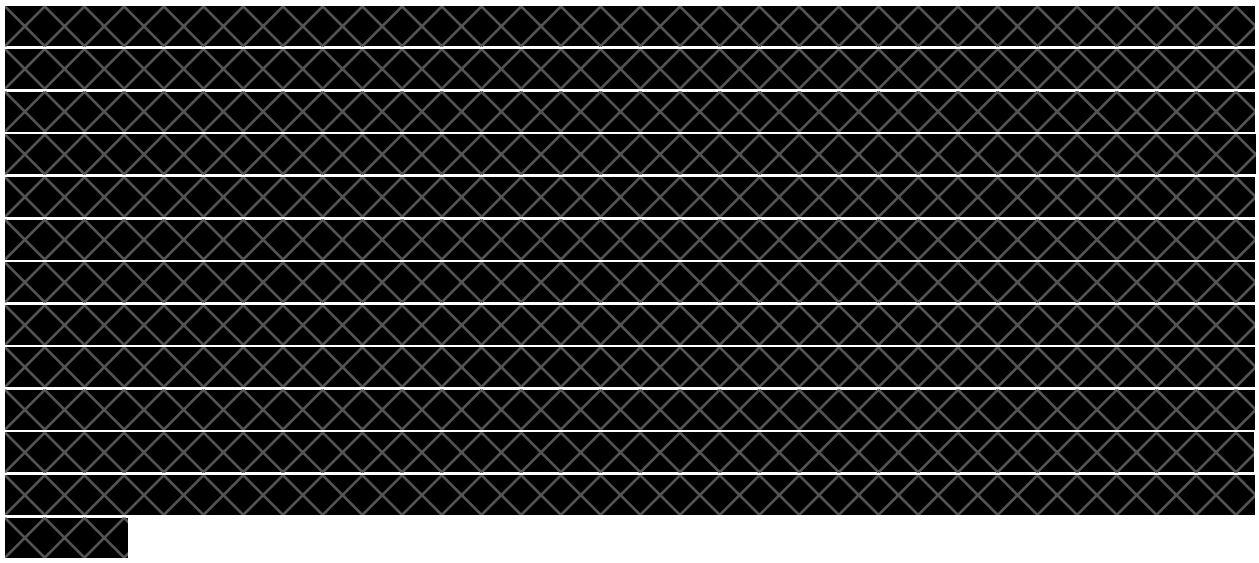
Analysis: clients' problems are analyzed by recent college graduates with no expertise or principles related to their specific case, relying instead on bland intuition.

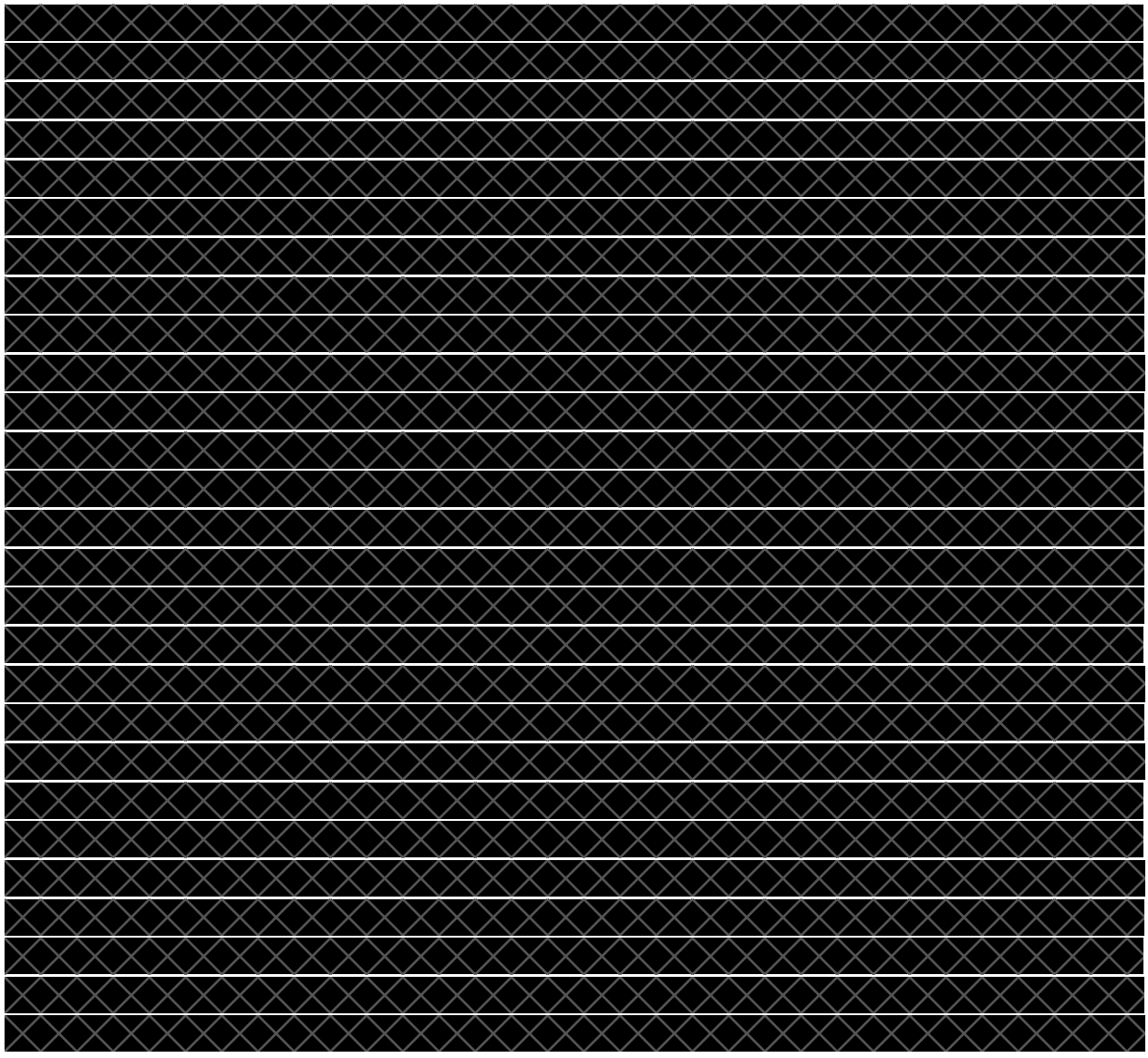
Accountability: consulting firms are completely unaccountable for their failures, and take credits for growth they didn't cause.

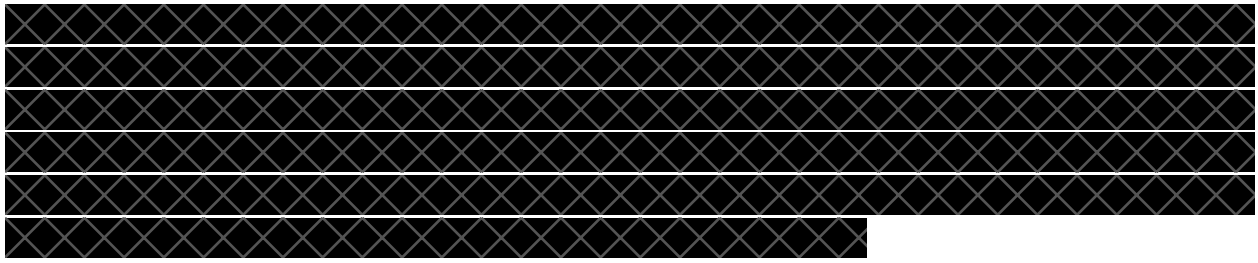
Theatrics: managerialism, jargon, and PowerPoints significantly impede the clarity of advice.

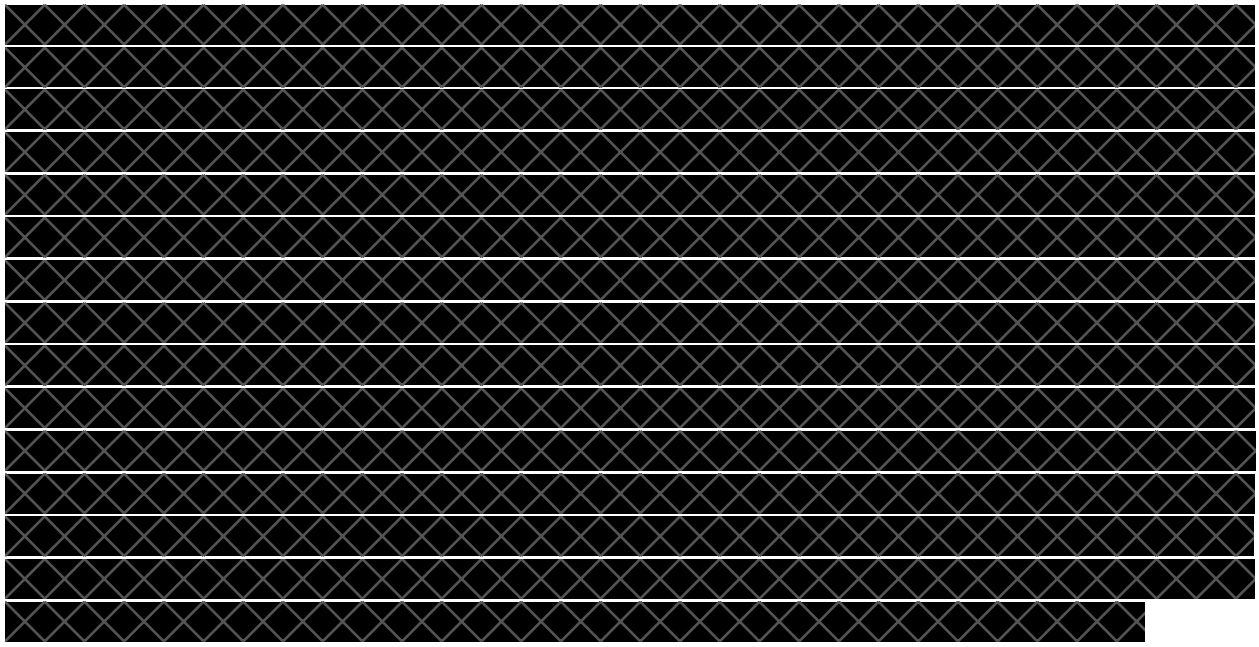
In order to fix the above problems, we'll use three algorithms, some board games, a problem-solving exam, tons of data, and a think tank.

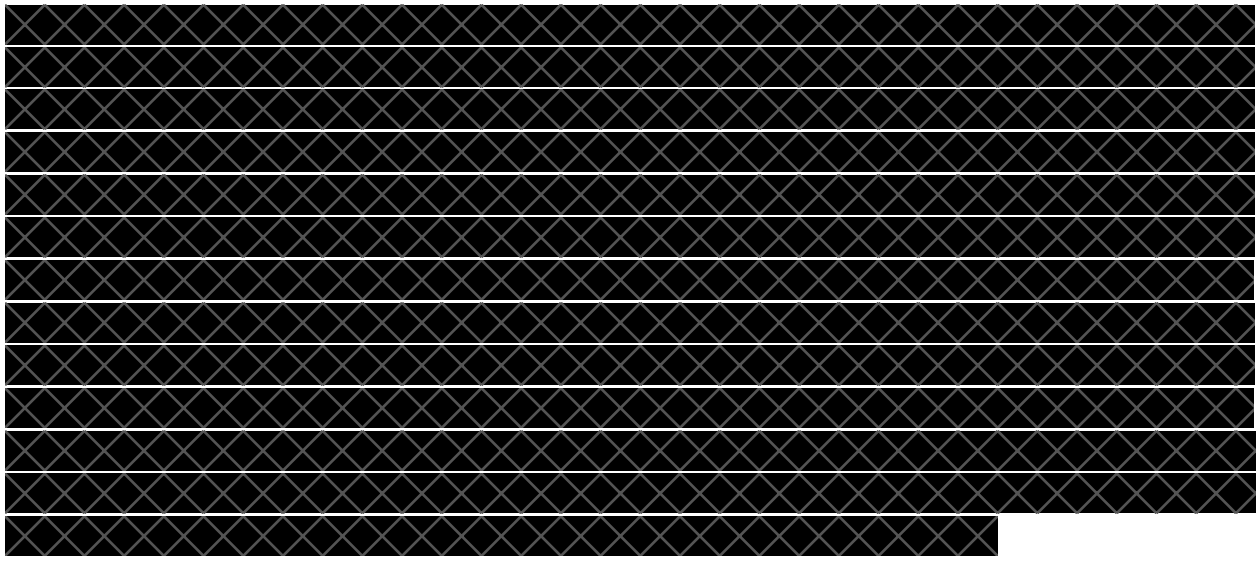


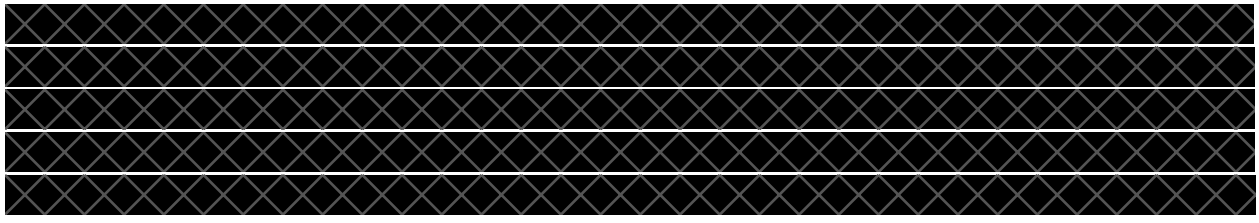












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A quick note on competitors: there are a number of firms that are similar in nature to this proposed firm, but aren't an exact match. Some firms, like Xavier AI, are attempting to automate consulting with AI, but are using AI to automate the existing model. Some firms, like AlphaSights, Third Bridge and Catalant only hire business experts to give advice to their clients, but haven't concentrated this knowledge in one AI model to democratize and streamline its communication. Some firms, like Operand, use AI to monitor data to help firms make strategic decisions, but these firms only provide tools to help their clients compile relevant data, and do not analyze the data themselves. Although, as a side note, Operand provides an interesting addition to the model: the firm can also work towards [redacted]

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Perhaps I have glamorized the entrepreneurial approach too much; let me be clear. Fixing an industry in a state of purposeless efficiency involves not only building a massive firm (which takes years), but also fighting a colossal establishment that will do whatever it can to uphold its status quo. Yes, big consulting firms like MBB aren't producing real, valuable advice, but they'll do whatever they can to convince the market they are, whether that involves buying out and shutting down a new revolutionary, or even suing him into oblivion. In this way, a revolutionary entrepreneur needs an effective strategy to completely capture an industry. In the fashion of analysis I'd like my consulting firm to follow, I'll turn to a predefined theory for answers on how

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In the case of the takeover of the consulting industry, we'd need to [redacted]

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