# Why Most Consulting Firms Stay Private

## Idea In Short

Nearly every elite management consulting firm remains a private partnership rather than a publicly traded company, a structural choice that reflects how much patience, trust and long-term brand-building the business genuinely requires. The handful of professional services firms that do trade publicly reveal a useful case study in how scale, margin structure and capital intensity vary even within a single, seemingly similar industry. This article discusses historical financial metrics for illustrative purposes only and is not investment advice.

## A Structural Choice, Not an Accident

Nearly every major management consulting firm remains a private partnership rather than a publicly traded company, a pattern too consistent to be coincidental.1 Building genuine trust and brand reputation over decades requires real patience, and public markets typically demand consistent quarterly returns, a pressure that sits awkwardly alongside the long-horizon relationship-building professional services firms depend on. A small number of firms that did eventually go public, or were acquired outright, stand as the exception rather than the rule.

## A Small, Distinct Group of Public Comparables

A modest handful of publicly traded companies fall into or near the management consulting category, deliberately excluding large technology-services firms whose consulting divisions represent only part of a much broader business. Comparing this smaller, more focused group reveals genuine differences in scale, margin and capital structure even within what looks, on the surface, like a single homogenous industry.

## Scale Differences Were Enormous

Market capitalization differences among this group were dramatic, with the single largest

firm valued many multiples above the rest of the comparison group combined, employing hundreds of thousands of people against considerably smaller headcounts elsewhere in the group. Nearly every firm in the comparison was incorporated domestically, with one notable exception incorporated abroad, a choice widely understood as reflecting a more favorable tax jurisdiction.

## Revenue Does Not Always Translate to Profit Evenly

Sales and net income need to be examined together rather than separately, since firms with similar revenue levels sometimes produced meaningfully different profit outcomes; one firm in the comparison generated roughly twice the revenue of a peer while producing comparable net income, a useful reminder that top-line size alone says little about underlying profitability.

## Low Margins Are the Industry Norm

Consulting businesses generally carry surprisingly low net margins as an industry norm, since paying highly compensated consulting talent leaves relatively little revenue behind for shareholders after costs. Only the largest firms in the comparison appeared to convert revenue into profit at meaningful scale, a pattern that suggests genuine economies of scale exist even within a fundamentally people-driven, high-cost service business.2

## Liquidity Varies With Business Model

A quick ratio, measuring how easily a company can cover short-term obligations using liquid assets, varied meaningfully across the group. Firms with more research-oriented, less capital-intensive business models tended to carry lower quick ratios than firms with heavier physical or project-based capital requirements, reflecting differences in underlying business model rather than necessarily financial weakness.

## Return on Equity Told a More Complicated Story

Return on equity produced some genuinely counterintuitive results. Unusually high figures for a couple of firms actually reflected thin underlying equity bases funded heavily by debt rather than exceptionally strong performance, while unusually low figures for other firms suggested investors were not being compensated adequately for the risk involved relative

to more attractive alternatives elsewhere.3

## Valuations Reflected a Premium Industry, With Exceptions

Price-to-earnings multiples across the group generally sat in a premium range reflecting the industry's perceived quality and growth prospects, with one research-heavy firm trading at a notably higher multiple than its peers, implying investors expected considerably above-average future growth to justify that premium valuation.

## What This Means for Anyone Evaluating a Firm

Anyone assessing a professional services firm, whether as a potential employee, client or investor, benefits from looking past headline revenue figures toward the underlying combination of margin, capital structure and scale. A firm that looks impressive on revenue alone may carry considerably less financial strength than a smaller competitor with a leaner cost structure and healthier margins, a distinction that only becomes visible once several metrics are examined together rather than in isolation.

## A Reminder About Reading Any Financial Comparison

None of this constitutes investment advice, and stock prices for smaller professional services firms specifically can move sharply on relatively modest news. The broader lesson worth taking away is more structural than tactical: even within a seemingly uniform industry, scale, capital intensity and margin structure can vary enormously, and comparing several companies side by side reveals patterns that looking at any single company in isolation would miss entirely.

- 1Partnership
- 2Economies Of Scale
- 3Return On Equity

## Summary

Most elite consulting firms remain private partnerships because the business rewards

patience and long-term brand-building over quarterly earnings pressure. Among the smaller set of publicly traded professional services firms, scale advantages showed up clearly in margin structure, suggesting genuine economies of scale exist even in a fundamentally people-driven, high-cost business.